FINANCIAL TIMES

No. 27,604 Friday July 7 1978 **15p

CONTINENTAL SELLING PRICES: AUSTRIA Sch 15; BELGIUM Fr 25; DENMARK Kr 3.5; FRANCE Fr 3.0; GERMANY DM 2.0; ITALY L 500; NETHERLANDS Fl 2.0; NORWAY Kr 3.5; PORTUGAL Esc 20; SPAIN Pta 40; SWEDEN Kr 3.25; SWITZERLAND Fr 2.0; EIRE 15p

NEWS SUMMARY

GENERAL

Public inquiry on train blaze

There will be a full public inquiry into the blaze which killed 11 people and injured 30 on the Penzance to Paddington sleeper train early yesterday.

Experts sifting the burned out remains of the two 18-year-old Inter-City sleeping cars are investigating whether an electrical fault could have caused the fire.

By the time the coaches were halted near Taunton, Somerset, at 3 am, most of the dead — eight men and three women — had perished as they slept in their berths. **Parliament, Page 10; Page 6**

Parliament disrupted

Miss Yana Mintoff, daugter of the Maltese Premier and a member of the Socialist Workers Party, is understood to be one of two people handed over to the police last night after bags of horse dung were hurled into the Commons yesterday. She and another demonstrator were removed from the House shouting slogans against treatment of prisoners in Northern Ireland. Other demonstrations on behalf of Ulster prisoners were staged outside Buckingham Palace and Selfridges. **Parliament, Page 10.**

Borg, Connors in final

Tomorrow's Wimbledon finalists will be the holder, Bjorn Borg (Sweden) and Jimmy Connors (U.S.), a former champion. Overseas Press coverage of the tournament was blacked out yesterday by a dispute involving Post Office engineers. **Page 6**

Paisley protests

The Rev. Ian Paisley, loudly interrupted the first Roman Catholic mass to be held in the crypt of the Palace of Westminster since the Reformation. The mass, conducted by Cardinal Hume, Archbishop of Westminster, was in honour of the memory of Sir Thomas More, beheaded in 1535. Paisley, Ulster Unionist MP for N. Antrim, described the mass as a "blasphemous fable and a dangerous deceit."

Marples dies

Lord Marples, who as Transport Minister between 1959 and 1964 introduced parking meters in Britain, died in Monte Carlo. He was 70. **Obituary, Page 10**

No to Concorde

Concorde has been banned from landing at Chicago's O'Hare airport, the busiest in the world, because it is too noisy. Mayor Michael Bilandic called the Anglo-French supersonic jet an "environmental insult."

War-time memory

Dr. Hans Filbinger, Premier of Baden-Wurttemberg, is under pressure to resign after admitting Press allegations that he sentenced two German sailors to death in Nazi-occupied Norway in April 1945 only weeks before the war ended. Neither man was executed as they had fled to Sweden.

Cuba cuts troops

Cuba has cut its troops in Ethiopia by about 25 per cent to between 12,000 and 13,000 men, diplomats in Khartoum said. About one third of the Cuban troops stationed in Africa are in Ethiopia.

Briefly . . .

Solomon Islands (pop. 200,000) became independent at midnight after 85 years of British rule. **FT Survey Pages 33-36.**

During the World Soccer Cup finals, the Argentine security forces abducted 48 people who have not yet reappeared, a member of the Argentine Commission for Human Rights said.

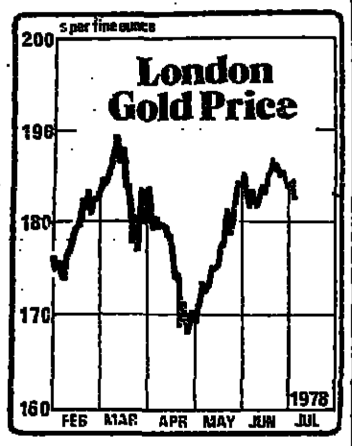
Four men who tried to blackmail a bank manager for £½m, by threatening his wife and young children were jailed for a total of 33 years at the Old Bailey.

BUSINESS

Dollar recovers; rally in gilts

● **GILTS rallied, with rises to ¾. Government Securities Index rose 0.42 to 69.44.**

● **EQUITIES gave up initial gains after GEC's statement about future dividend policy. The FT 30-share index closed 0.1 higher at 452.1.**



● **GOLD fell $1¾ to $182¾, influenced by the improvement of the dollar, and disappointment at the result of the latest IMF auction.**

● **THE DOLLAR recovered, its trade-weighted depreciation narrowing to 7.4 (7.8) per cent. Sterling lost 25 points to $1.8675. Its trade-weighted index improved at 61.6 (61.4).**

● **WALL STREET** closed 1.38 up at 807.17.

● **U.S. MONEY SUPPLY**—M1 up $700m to $349.9bn, M2 up $2.5bn to $841.9bn and commercial loans down $150m (up $235m). Federal funds were 7.72 (7.78) per cent, and 90-119-day commercial paper 7.78 (7.75) per cent.

Shell in dispute over oilfield

● **SHELL** and Esso are disputing the British National Oil Corporation's claim over the discovery of a new oilfield in block 30/17 of the North Sea. The companies said they spotted the reserves in 1975, before BNOC was set up. **Back Page**

● **BRITISH PETROLEUM** last year became the UK's largest exporter with £1.077bn worth of oil products and £111m of chemicals sold abroad. ICI was the second largest and Ford third. **Page 4**

● **THE TAKEOVER PANEL** has objected to certain features of the £1m bid by Mooloya Investments for Customagic Manufacturing, the furniture group. **Page 25**

● **MANCHESTER GARAGES**, a leading Ford dealer, and Oliver Rix, its BL counterpart, may announce a merger within 10 days. **Back Page**

● **PORT OF LONDON** has warned the Government that it must close the Royal Docks if the port authority is to avoid bankruptcy. The closure could hit nearly 2,000 jobs. **Back Page**

● **WESTLAND AIRCRAFT** company's helicopter plant shop stewards at Yeovil have decided to recommend a new pay offer geared to abolishing piecework. **Page 7**

● **THE GOVERNMENT** and the TUC are likely to discuss whether dividend controls will continue after the end of July, the Commons was told. **Page 10**

● Decision on a £15m plan by Samuel Properties to redevelop St. Albans town centre has been deferred by the local council for three weeks. **Page 8**

COMPANIES

● **GEC** pre-tax profit for the year was a record £325.3m (£278.3m), in line with the growth trend shown at the interim stage. But a "drastic increase" in dividends will not occur immediately, says the Board. **Page 23 and Lex**

● **THE** Scottish and Newcastle Breweries pre-tax profit for the year to end-April was £35.38m (£35.11m). **Page 24 and Lex**

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Excheq. 9½pc A '82	£91⅜	+ ⅜
Excheq. 12pc '13-17 (£45 pd)	£45⅝	+ ⅝
Alliance Inv.	99	+ 5
British Dredging	40	+ 2
Cullens A	125	+ 7
Dowty	209	+ 8
East Mid Allied Press	96	+ 4
Hambros	162	+ 7
Imp. Cont. Gas	287	+ 10
Manchester Garages	36½	+ 2½
Plaxton's	85	+ 8
Raybeck	79	+ 4
Rix (O.)	8½	+ 1½
Shaw Carpets	37	+ 5
Sime Darby	111	+ 8
Swan Hunter	141	+ 12
Vosper	170	+ 12
Wettern Bros.	116	+ 19
Yarrow	275	+ 15
Guthrie	545	+ 15
Northern Mining	112	+ 15
North West Mining	27	+ 5

FALLS

Coral Leisure	102	− 4
ICI	361	− 4
Pyke (W. J.)	40	− 3
Thermal Syndicate	97	− 17
Waddington (J.)	196	− 4
BP	822	− 8
Shell Transport	545	− 7
De Beers Dfd.	381	− 8
Mount Lyell	24	− 6

Schmidt wants EEC currency scheme by start of next year

BY GUY DE JONQUIERES AND JONATHAN CARR: Bremen, July 6

Herr Helmut Schmidt, West German Chancellor, is eager to have the first stage of an EEC currency stabilisation system established and in operation shortly after the beginning of next year.

This became known at the start of a two-day meeting of heads of the nine Common Market Governments here today, at which President Giscard d'Estaing of France said that his Government would be prepared to consider applying fresh short-term stimulus to its economy by stepping up public spending.

Herr Schmidt remained unmoved by renewed urging to stimulate the German economy.

Specifically, he refused to accept a Commission suggestion that Bonn increase its deficit spending to the equivalent of 5.5 per cent of Gross Domestic Product from 4.5 per cent at present.

Presenting the proposals, Mr. Roy Jenkins, Commission President, said it would raise the German growth rate by between 1 and 1.5 per cent annually. This was disputed by Herr Schmidt.

He insisted, however, that such action would be conditional on the U.S. and Japan also agreeing to make substantial contributions towards promoting world economic recovery during the coming months.

Proposals for a currency stabilisation system, on which Herr Schmidt and President Giscard appear to have reached a wide measure of agreement during the past two weeks, are at the centre of the Bremen talks.

But so far no firm consensus has emerged among the Nine leaders as a whole.

The British Government, which seems likely to have to fight an election later this year, appears particularly reticent about involving itself in any scheme which could lay it open to accusation at home that it had surrendered control over its economy to its EEC partners.

Herr Schmidt would like Britain to join in a general endorsement at this meeting of the basic outlines of a currency scheme.

But he is not expected to press the UK to commit itself at this stage to do more than participate in technical studies of a plan over the next few months.

Complaints

A more impatient attitude has been adopted by President Giscard who is keen to see the franc again linked formally with the European currency "snake" as soon as possible.

He has told confidants during the past fortnight that decisive moves must be taken rapidly to bring about greater currency integration in the EEC, even if this threatened to bring about a split in the Community by excluding sterling and the Italian lire from a monetary arrangement.

He is said to be puzzled by Mr. James Callaghan's lukewarm response to the currency proposals first advanced by Herr Schmidt at the Copenhagen summit in early April, and apparently suspects that they are due to British reluctance to abandon the residual international role of sterling.

The atmosphere of today's meeting was somewhat soured by complaints by the smaller EEC countries that they had not been sufficiently consulted on proposals for a currency scheme.

While most of them favour such a plan, they resent the fact that most of the running to date has been made in bilateral contacts between Herr Schmidt and President Giscard.

The European Commission's prescriptions for reflationary measures are designed to raise the EEC's average growth by about 1 per cent above the 2.8-3 per cent annual growth which it estimates will be achieved during the next two years if present policies are maintained.

The Commission believes that Britain has already made a substantial contribution through its Budget measures this year and need take no further action immediately.

But it could consider further modest tax cuts in about a year's time, provided that its EEC partners also agree to stimulate their economies.

Israel jets over Beirut in support of Christians

BY IHSAN HIJAZI BEIRUT, July 6.

ISRAEL SERVED notice on Syria today that she would not tolerate suppression of a semi-autonomous Christian community in the Lebanon.

After a night of the heaviest fighting since the 1975-6 civil war, Israeli Kfir fighter-bombers buzzed the predominantly Moslem sector of Beirut this morning, shattering windows, as a warning to Syrian forces, which for nearly a week have been in conflict with the Christian militias.

Although no bombs were dropped, the Israeli action was a show of force clearly intended to give support to the population of eastern Beirut, under heavy Syrian bombardment since last weekend.

Acute apprehension was felt here that Syria might be provoked into a token retalation by her own air force that might lead to a wider conflict.

President Elias Sarkis, already deeply distressed by the show-down between the Syrians and the Christians, threatened to resign today.

Mr. Selim al Hoss, the Lebanese Prime Minister, members of his Cabinet, and Mr. Kamel al Assad, Speaker of the Parliament, held talks with him in a desperate bid to persuade Mr. Sarkis to take no action which would plunge the Lebanon into a graver crisis by creating a constitutional vacuum.

Technically the President is Commander-in-Chief of the Arab peacekeeping force, but in practice has only nominal control over it.

Action by the Israeli Air Force lasted about 20 minutes. The supersonic bangs broke shop windows in Hamra Street, main shopping street of western Beirut, and made crowds duck for cover. People had to rush to hospital for treatment of wounds from flying glass.

Last night Syrian troops intensified their bombardment of the Christian areas of eastern Beirut following inconclusive talks with Mr. Fuad Butros, the Lebanese Foreign Minister.

President Hafez al Assad of Syria is seeking to curb the activity of the Christian forces, in particular the Phalangists, and bring about withdrawal of the units manning the Israeli border.

David Lennon reports from Tel Aviv: Dr. Eliyahu ben-Elissar, director-general of the Israeli Prime Minister's Office, said today that if events continued as at present Israel would consider taking steps to prevent "the Syrian massacre of the Christians." He said Israel has undertaken not to permit destruction of the Christian population in Lebanon.

About 400 of Beirut's 250,000 Christians have been killed in the attacks which started on July 1, according to Israeli estimates.

Fiat link with Peugeot-Citroen

BY DOMINICK J. COYLE ROME, July 6.

FIAT, Italy's largest private enterprise, is joining forces with the French Peugeot - Citroen group for the design and manufacture of a new light commercial vehicle in a L241bn (£153m) production facility to be built at Val di Sangro in the Abruzzi.

Signor Giovanni Agnelli, Fiat chairman, announced six weeks ago that the Turin-based group planned to invest about L540bn (£342m) in the depressed south of the country over the next four years and that the company was seeking "a foreign partner" for part of the investment.

Fiat disclosed tonight that the partner is Peugeot-Citroen, and that an agreement has been signed.

The Val di Sangro investment will be through a new joint company and the production of component parts for the new van model will be so arranged "as to ensure a satisfactory balance between the two groups."

Few technical details of the proposed new vehicle have been disclosed. But initial production targets are understood to provide for some 80,000 units annually of a ten and 13 cwts model which will have an optional petrol or diesel engine.

The Val di Sangro plant is to be built on an area of 1.3m sq yds and, when in full production, is expected to provide up to 3,000 jobs.

The new model, Fiat said, would be "an internationally competitive vehicle increasing the respective production levels of the two companies."

No timetable has yet been proposed for the joint operation.

Fiat has made clear that the project, and indeed the company's other planned new investments throughout the South, depend on the Italian Parliament's approving Government plans for new and enlarged subsidised funds for such industrial undertakings.

They also depend on the provision of the necessary infrastructure facilities at Val di Sangro.

Sig. Agnelli has lately been putting stress on the investment and commercial logic of joint ventures in the European motor industry, and Fiat has already joined with Saviem, the Renault subsidiary, to develop a diesel engine plant in Sicily producing engines for lightweight vans.

European orders for new Airbus

By Michael Donne, Aerospace Correspondent

AIRBUS INDUSTRIE, the European aircraft manufacturer, yesterday formally launched the new, smaller, 200-seat B-10 version of the European A-300 Airbus, with preliminary orders and options from several European airlines for a total of 31 aircraft.

Lufthansa said it intended to buy 10 of the aircraft, worth about DM 500m (or £130m), with an option on another 15 aircraft. It already has seven of the bigger, 250-seat A-300 B-2s and B-4s in service, with four on order. The final B-10 contract will be settled by March 31, and Lufthansa will get its first B-10 in late 1982.

Swissair said in Zurich that it had signed a "memorandum of understanding" with Airbus Industrie for the purchase of six B-10s, worth about £80m, with a final contract due after settlement of technical specifications. The first aircraft is due in 1983.

Air France late last night was also expected to announce a B-10 decision soon, probably for four aircraft, while Iberia of Spain is believed to be on the verge of an order.

The decision to launch the B-10 is a major development with far-reaching implications for the European and U.S. aerospace industries; and especially for the UK, which still has to make up its mind whether to join Western Europe in a big new civil aircraft programme or to take up an offer of collaboration with Boeing of the U.S. on the 757 short-to-medium range airliner.

The B-10 is a direct competitor for another of the projected new Boeing family of jets, the 767, and a major sales battle is under way in the U.S. to win the contract from United Air Lines, the biggest airline in the Western world, for what could be up to 50 new aircraft.

U.S. options

The most recent reports have indicated that in that fight the B-10 is inching ahead, basically because it is cheaper and the financing terms offered are better than those for the Boeing 767.

In the meantime, several other big U.S. airlines are interested in the B-10. Eastern, which recently ordered 23 of the bigger 250-seat B-2s and B-4s, worth £400m, also took a tentative option on 25 B-10s, to be converted into a firm order once the B-10 was formally launched.

The orders and options for the B-10 bring the total for the Airbus to 200 aircraft, of which 113 are firm orders and the rest options or tentative orders. Thai International of Thailand yesterday ordered two of the bigger

Continued on Back Page

ACCOUNTING SYSTEM ATTACKED

Power board prices '4% too high'

BY JOHN LLOYD

THE Price Commission said yesterday that the South of Scotland Electricity Board had increased its prices by 4 per cent as a result of unsatisfactory accounting practices.

The criticism came in a report which has important implications for the other nationalised industries.

The unnecessarily high electricity prices followed a decision by the board to increase depreciation charges by 40 per cent to take account of the effects of inflation.

This level of enhancement was suggested by the Government's Price Code of 1976, and has been widely adopted by other nationalised industries.

However, while this compensated for adverse inflationary effects, there was no allowance for the benefits arising from the reduction in the real value of these industries' debt as a result of inflation.

The commission says that this latter adjustment—known as the gearing adjustment in the Hyde guidelines for inflation accounting—virtually cancels out the depreciation adjustment in an organisation such as the South of Scotland board, where most of the capital is provided in the form of debt. The 40 per cent increase was thus wholly unnecessary.

In the case of the South of Scotland board the 40 per cent provision for inflation amounts to an estimated £17.1m in 1977-78 and a budgeted £17.8m in 1978-1979, raising the cost of generating electricity by 4 per cent, which was passed on in prices.

An equivalent estimate for the Central Electricity Generating Board, which also adopted the 40 per cent rise in the past financial year, shows a provision of around £200m.

Similar calculations for other nationalised industries are not yet possible because of their different debt structures and because the amount to which they are capital-intensive varies greatly. However, general adoption of the 40 per cent enhancement, without allowing for lower real interest payments because of inflation, may have led to increased prices.

Allied to the commission's criticism of the devaluation provision is a concern over the practice adopted by the Board—and presumably in force in other nationalised industries—of charging interest during a period of heavy capital expenditure as a current cost against revenue rather than capitalising it.

In this way the costs are passed on to the consumer before the project—in this case a power station—comes into operation. In short, he is paying for electricty in advance.

"The cost of an asset should include the costs (including the costs of finance) of its construction and consequently we believe that it would be proper for the SSEB to capitalse the interest during the construction period of an asset.

"Such a policy would relieve the consumer of the costs of new assets until such time as they are in use, although the total costs of the project to be depreciated will be greater."

In addition the report identifies a wide gap, varying between 17 and 50 per cent—between the South of Scotland Board's estimates of the assets lives, on which depreciation was charged, and the generally accepted current estimates of how long these assets would last. This meant that further extra charges were passed on to the consumer.

The commission was asked by the Government to investigate price increases of an average of 7.6 per cent proposed by the Board in February of this year, these prices included the provision for inflation. However, while the investigation was being made the Board raised its prices anyway under the provisions of the regulations which safeguard basic profits (Prices and Charges [Safeguard of Basic Profit] Act 1977).

The Commission has therefore been unable to recommend a restriction on the tariff rises and has made no recommendations on future restrictions, since the Board has said it has no intention of raising prices further in 1978-79.

Auditors for the board are Kerr MacLeod of Wellington Street, Glasgow.

Mr. Roy Hattersley, Prices Secretary, yesterday sympathised with the concern expressed by the Commission over the depreciation enhancement, but said that "the 40 per cent uplift which the SSEB were permitted to make under the Price Code might generally understate the proper depreciation charges for many companies."

Details, Page 6
Editorial comment, Page 20
Lex Back Page

£ in New York

—	July 6	Previous
Spot	$1.8670-8675	$1.8675-8685
1 month	0.40-0.35 dis	0.48-0.44 dis
3 months	1.20-1.15 dis	1.37-1.32 dis
12 months	4.90-4.70 dis	5.10-4.90 dis

CONTENTS OF TODAY'S ISSUE

For latest Share Index 'phone 01-246 8026

EUROPEAN NEWS

Dim mid-term outlook for unemployment—OECD

BY ROBERT MAUTHNER

PARIS, July 6.

A GLOOMY picture of the employment outlook in the OECD area is painted in a report which has just been published by the organisation's Secretariat.

Pointing out that the rate of unemployment in the area has hovered around 5 to 5.5 per cent for about three years, the report on a medium-term strategy for employment and manpower policies notes that the unemployment trend has been upwards since 1969, irrespective of cyclical variations in economic activity.

It nevertheless stresses that one of the main causes of current unemployment is slack demand for goods and services and that little can be done to solve the problem in a fundamental and lasting manner before a recovery of demand gets under way.

The medium-term employment outlook is particularly uncertain because inflationary and other constraints may require governments to pursue relatively cautious demand management policies, allowing only a slow reduction of unemployment. But even after the recovery starts, the lag between renewed expansion of output and a fall in unemployment is likely to be long, due to built-in labour slack.

While the revival of demand would be a necessary condition for making rapid progress towards reducing unemployment, the report says, it would not be sufficient. Structural imbalances in the labour market will make the recovery of employment much slower than would have been the case only 10 years ago, and greater efforts to devise appropriate policies will be required in the future.

Among the structural factors behind the rising trend in unemployment the report includes the continuing increase in the female and teenage labour force, particularly in the tertiary sector. This has accompanied stagnating or declining job opportunities in other sectors of the economy traditionally providing employment for other groups.

Consequently, in spite of a steady overall growth in aggregate employment, recorded unemployment has tended to persist even in periods of rapid employment growth. The reason is that, during an upswing, the services sector tends to recruit a greater percentage of its workers from outside the recorded labour force than does manufacturing industry.

In addition, labour costs other than wage costs have risen substantially in many countries and labour has increasingly been turned into a quasi-fixed cost factor, notably as the result of increased dismissal costs. This has induced companies to operate with a smaller labour force for a given level of output and has slowed down capacity and employment-creating investments.

Labour exporting countries face a special problem because of returning migrant workers and a sharply reduced outflow of labour as a result of the economic slow-down, the report says. Traditional manpower policies are no longer adequate and job-creation measures often pull a great number of newcomers into the labour market instead of absorbing the existing unemployed.

Most progress in combating unemployment has been made in countries like the U.S. and some European nations where selective employment policies have been closely co-ordinated with general demand management policies.

The report therefore suggests that selective policies—in particular job-creation measures—should be set in a more general framework of macro-economic policies to stimulate non-inflationary growth and raise employment.

Countries opting to reflate their economies should consider selective job stimulation, notably in the form of employment subsidies to the private sector. But these should be no more than temporary, and should be phased out once a more general up-turn gets under way.

Countries where demand continues to be sluggish should put most of the emphasis on job-creation in the public sector, since subsidies to the private sector risk aggravating structural problems if continued for too long.

A medium strategy for employment and manpower policies, published by the OECD.

Dutch plan for excess profit tax spelled out

By Charles Batchelor

AMSTERDAM, July 6

HOLLAND PLANS to cream off 24 per cent of companies' "excess" profits, with half going into a collective funds to improve pensions and half going to the workforce of the companies.

According to details released by the Social Affairs Ministry, the collective part of the "excess" profit scheme will be levied at a rate of 12 per cent, the same rate as for the individual part which was announced in May.

This means that the new Centre-Right Government has set a higher levy than its Left-wing predecessor which set a rate of 20 per cent, though this would have risen one per cent a year over four years.

However, the maximum Levy under the collective part of the scheme has been set at 3 per cent of fiscal profit to help companies such as consultants which have only limited own assets.

The maximum amount which may go to an employee under the individual part of the scheme is 3 per cent of his normal wages, or about Fl 1,500 ($673). These two limits mean many companies will in fact pay less than 24 per cent.

The collective part will be administered by a committee of 20 members, 12 nominated by the unions and eight by the Government. The Government will also appoint a delegate to advise the committee.

The excess profit levy will be applied after companies are allowed a certain return on capital employed, based on the return on a number of State bonds plus a 3 per cent risk premium.

Holland's controversial plans for "excess" profit sharing have undergone many modifications since they were first announced by the previous Government. They have come in for strong criticism from all sectors of Dutch business as well as from foreign companies operating in Holland.

The scheme as now envisaged will give a greater part of "excess" profits to the individual worker in profit-making companies at the expense of the largely union-controlled collective fund.

SPAIN'S CONSTITUTION

Basque party demands amendments

BY ROBERT GRAHAM

MADRID, July 7.

THERE ARE increasing signs that the Basque nationalist parliamentarians are determined to force a dangerously devisive debate over the status of the Basque region in the new constitution.

This week the Chamber of Deputies in full session began discussing the final text of Spain's new constitution and so far 10 of the 150 articles have been approved. But the principal Basque nationalist parliamentary party, Partido Nacional Vasco, PNV, has indicated it will propose 28 amendments primarily relating to those articles dealing with the rights of the autonomous regions. So far PNV has refused to listen to pleas from both the Government and the opposition Socialist and Communist parties to moderate its stand.

The PNV instead has chosen to raise the stakes, and this week-end has called a mass meeting in Guernica, the emotive birth-place of Basque nationalism. The meeting is intended to rally Basque public support for the PNV stand on the constitution. Although there appears to be an element of politicking in this move, it risks complicating an orderly debate on the autonomy issue. More seriously, it threatens to put the PNV, basically a centrist party not openly associated with the more extremist Basque nationalist views, in a position from which it will be difficult to climb down.

The feeling is that the PNV is attempting to outflank criticism over not doing enough in the constitution to defend Basque autonomy. Hence the PNV is now insisting that the constitution recognise the right of the Basques to deal direct with the Madrid government and accept the right self-determination.

Basque opposition to the constitutional texts on autonomy will not necessarily alter the existing wording. But it will be a political embarrassment and weaken the government's carefully elaborated strategy for the regions. Further if the Basques are unhappy with the constitution, it will be logical for them to express this disapproval in a large abstention or negative vote in the referendum that is expected to follow parliamentary approval of the constitution.

All this political manoeuvering takes place during a new upsurge of violence in the Basque country. This situation there is now the worst at any time since the elections of June 1977. The latest murder victim, yesterday, was a sympathiser of the extremist separatist group, ETA. The killing appeared to be a reprisal by rightist elements for recent ETA attacks. Meanwhile a friend of the newspaper editor, Sr Jose Maria Portell, the Bilbao newspaper editor assassinated last Thursday, has said that he was acting as an intermediary between the government and ETA. Sr Juan Felix Eriz told the daily El Pais today that Sr Martin Villa, the Minister of the Interior, had asked Sr Portell to act as an intermediary, and he had begun these contacts in the last days of June.

Gromyko denounces arms critics

By David Satter

MOSCOW, July 6.

MR. ANDREI GROMYKO, the Soviet Foreign Minister, today denounced those who accuse the Soviet Union of failing to honour its international agreements, describing them as "irresponsible shouters" intent on wrecking the strategic arms limitation talks (SALT).

Speaking before a session of the Supreme Soviet, the Soviet Parliament, which is considering a draft law on the conclusion of treaties, Mr. Gromyko insisted that Moscow has proved a "conscientious, irreproachably punctual and consistent partner in meeting its international obligations" for 60 years.

The Soviet Foreign Minister said that it is recognised in the Soviet Union and the United States that both sides have abided by all the provisions of the existing treaties limiting both offensive and defensive strategic weapons.

Mr. Gromyko said, however, that there is an "unscrupulous" attempt being made to question the Soviet Union's readiness to abide by is commitments with the aim of impeding the continuing strategic arms talks and harming Soviet-American relations as a whole.

He also criticised those who "invented" a "Soviet threat." He said that Western representatives admit privately that there is a parity of forces between the two world systems but resorted to a "deception of peoples" when they speak publicly.

Parties call new talks in Rome as polling remains deadlocked

BY DOMINICK J. COYLE

ROME, July 6.

THE ITALIAN electoral college failed at its 12th attempt this morning to elect a new President of the republic, and a further round of voting scheduled for this evening was postponed to allow party leaders to resume a collegial meeting in an attempt to reach agreement on a single candidate.

The ruling Christian Democrats, whose minority administration is sustained in Parliament by the Communists, Socialists, and two of the smaller parties, have finally produced a short list of four non-Christian Democrat candidates whom they might support for the Presidency, while still not excluding one of their own top leaders for the position.

The four are: Sig. Ugo La Malfa, the veteran leader of the Republican Party; Sig. Paolo Rossi, head of the Italian Constitutional Court; Sig. Giuliano Vassalli, a member of the Socialists' central committee, and Sig. Aldo Bozzi, president of the small Liberal Party.

In reserve, as it were, for a possibly direct partisan Christian Democrat campaign for the Presidency are Sig. Giulio Minister, Sig. Benigno Zaccagnini, the Christian Democrats' reformist secretary-general, and the former Premier and currently acting President of the republic, Sig. Amintore Fanfani.

The party leaders at a meeting in Rome last night failed to reach agreement on a single candidate, the meeting being adjourned at the request of the Socialists, and it is this meeting which was scheduled to resume later tonight.

The suspension of the ballot planned originally for this afternoon could reflect the boredom of most Parliamentarians with what they know at this stage to be a wholly irelevant process, or an expression of their hope that the leaders may finally reach some consensus in which one or more serious candidates will enter the race.

The principal parties continue to operate at a mainly tactical level, for example the Christian Democrats' apparent acceptance of La Malfa being balanced by the known opposition to him from the Socialists. Equally, the Christian Democratic Party has let it be known privately that it is opposed to the man who is believed to be the most serious candidate in a list of six names advanced by the Socialists, Sig Antonio Giolitti, one of Italy's two members of the EEC Commission in Brussels.

The Communists continue to back their own Sig. Giorgio Amendola, although they know he has no serious prospect of being elected, and they fear a possible Christian Democrat-Socialist deal which, conceivably, could undermine the present delicate governing alliance and the Communists' own place in the ruling majority. Equally, the socialists suspect a possible private alliance between the Christian Democrats and the Communists.

Despite extensive television coverage of successive ballots, or perhaps because of it, the signs are that most Italians are getting bored with the whole process, and the newspapers increasingly are asking why Italy cannot elect its President by universal suffrage.

Meanwhile, in Turin this morning Red Brigades terrorists claimed responsibility for the shooting in the legs of Sig. Aldo Ravaioli, president of the local Small Industries Association. This followed within 24 hours a similar attack in Milan on Sig. Gavino Manca, a senior executive in the Pirelli group.

W. German speed limit proposal

BY ADRIAN DICKS

BONN, JULY 6.

A "RECOMMENDED" speed limit of 130 kilometres an hour (81 mph) may now be imposed on West Germany's autobahns, following a decision by the federal and state Transport Ministers today. But in keeping with past form, the Ministers shied away from anything that might smack of compulsion.

The latest, modest effort in this direction was a plan favoured by the experts at the Federal Transport Ministry that a 100 kph maximum speed limit should be imposed on autobahns and dual cariageway roads in wet weather.

Speed limits are traditionally one of the thorniest of all political issues in West Germany. Although imposed as a temporary energy-saving measure during the 1974-75 energy shortage, it has proved impossible to gather support for the suggestion that they should be made permanent.

Repeated reports by the International Energy Agency and other independent observers have stressed the wasteful aspect of driving at the high speeds many German drivers insist upon.

But these have made little headway against counter-efforts by the motoring lobby, which holds that in an overbearingly conformist and organised society, the right to drive as fast as one likes is one of the few areas in which the German citizen's civil liberties are not subject to higher authority.

Reflecting a firmly-held popular belief in Germany that speed and road safety are unconnected, the Transport Ministers of the 11 federal states today turned down a suggestion by their colleague in Bonn, Herr Kurt Gscheidle, that the 100 kph limit should be introduced on wet roads. They decided that there was no scientific basis for taking such a step.

In one respect, all the same, the German driver is no longer entirely master in his own car. The Transport Ministers approved a suggestion, based on insurance companies' analysis of accident statistics, that a fine of DM 40 should now be imposed on anyone caugfht not wearing a seat belt.

W. GERMAN ROCKET RANGE IN ZAIRE

A test of imagination

BY LESLIE COLITT IN BERLIN

ONE OF the more bizarre chapters in the brief history of space technology is slowly unfolding in central Africa, where the activities of a West German entrepreneur are causing obvious concern in the USSR and East Germany. The entrepreneur has set up a huge rocket test range in the south of Zaire, and declared his intention of providing the world with a cheap way of launching itself into space. His activities have inspired intriguing but quite different explanation on each side of the Iron Curtain.

The drama began four years ago when Herr Lutz Kayser, an aeronautical engineer from Stuttgart, set up his Orbital Transport und Raketen AG (OTRAG). After searching for a suitable site near the equator in four African countries he reached an agreement with President Mobutu of Zaire which was to lead to the current controversy. A 100,000 sq km rocket test and launch site was carved out of Shaba province and leased to OTRAG to the year 2000. The testing area, nearly half the size of West Germany, is accessible only from the air and is described as being virtually OTRAG's extra-territorial domain.

Reports of occasional launchings have filtered back to West Germany, but until recently outsiders never witnessed a rocket lifting off the plateau west of Lake Tanganyika. On June 5, however, President Mobutu permitted West German television to film a launching which he was also present. The next evening on millions of West German TV screens a 4 metre-long rocket could be seen in brilliant colour as it veered off-course and plummeted back to earth to crash in a dried-up river bed.

The camera shifted to the astonished President Mobutu and then to OTRAG's Herr Kayser, who spoke of a malfunction in the guidance system but added that further launchings would take place later this year. Since then, OTRAG representatives in Lubumbashi are reported as saying that the greater part of the equipment has been sent back to West Germany for inspection.

OTRAG's rocket test range in Shaba province is the object of unrelenting Soviet and East German criticism and has caused trouble for Chancellor Schmidt. Most experts find the worries exaggerated.

At a rare news conference in Munich after the mishap, Herr Kayser said the 1,150 shareholders in OTRAG had more confidence than ever in the abilities of his company to achieve its goal. This is described as attaining "series production" by 1981 of cheap launch vehicles assembled from kits of parts, capable of lifting satellites for reconnaissance, earth resource surveillance, communications, etc. into orbit for one-fifth of the cost of U.S. launch vehicles. These would be especially attractive to large Third World countries such as Zaire.

Scarcely a day passes in which the USSR and East Germany are not attacking OTRAG as part of a plot they allege has been hatched by the West German Government and its arms industry to circumvent restrictions on West German military rocket development by the Potsdam Agreement. The United States and South Africa are darkly accused of also being involved. One recent article in the East German Press maintained that at the OTRAG site in Shaba, cruise missiles as well as medium-range U.S. missiles had been tested with the approval of the Government in Washington, thus making clear the military nature of the operation. The article said this also explained South Africa's great interest.

In July of last year two Soviet satellites, Cosmos 922 and 932, were tracked as having passed over the rocket range in Shaba. In August an American Big Bird satellite also crossed over the OTRAG base. Both the Soviet and American satellites, however, may have been more interested in taking a closer look at South Africa's alleged nuclear test site in the Kalahari Desert.

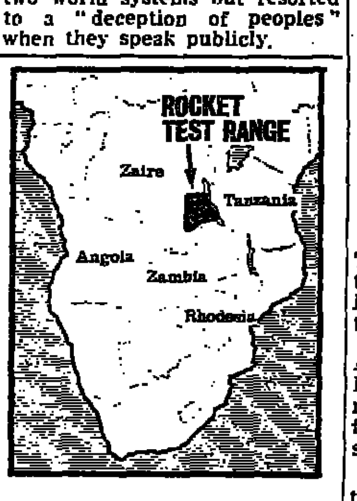
The unrelenting Soviet and East German attacks against OTRAG and its "neo-colonialist" contract with Zaire are echoed in the Press of a number of African countries, especially Tanzania and Zambia, which adjoin the test area, and Angola, which is only 200 kms away. Radio Tanzania is quoted by the East German Communist Party newspaper Neues Deutschland as saying the largest rocket launching pads in the Western world are being installed by OTRAG, where intercontinental rockets could be launched with a range of 5,000 to 6,000 kms, an assertion which few would find easy to swallow.

Small wonder, though however, that West Germany's Chancellor Helmut Schmidt ran into trouble over OTRAG during his visit late last month to Zambia. At a news conference in Lusaka Herr Schmidt said propaganda from East European centres had concocted the links between OTRAG and the Bonn Government. The West German leader added that in order to limit the damage which had been done he had contacted President Mobutu, asking him to keep an eye on OTRAG. President Mobutu had assured him that OTRAG was following no military goals.

West German officials have in fact visited the OTRAG site in Shaba and report that they found a few West Germans from the company, a great many local residents living in corrugated iron huts, and children everywhere. Windscreen wiper motors were among the most advanced pieces of equipment they found among the parts that were strewn about.

German aerospace scientists who prefer to remain anonymous say there is absolutely no mystery as to what Herr Kayser is building but they do wonder why he is doing it. They reject his claim that he is constructing low-cost rockets using the building-block system and explain that for the Dm100m, which he says he has spent so far, he has "not achieved more than a high-altitude research rocket which would be considerably cheaper."

The West German rocket experts say Herr Kayser is powering his rockets with four parallel rocket engines and plans to use hundreds of them bunched together to lift a 1-ton payload into orbit, a scheme which they say is full of technical problems. One rocket scientist, says Herr Kayser, will need 500 engines for the first stage, costing DM3,000 a piece. Valves and windscreen motors to open and close the valves and allow fuel to pass through would bring the total to DM2.1m. By comparison the European Ariane rocket uses four engines that cost DM2m.



The fuel used at the Shaba test range is described as the same chemicals—nitric acid and heating oil—"we used during the war" by one of the rocket scientists who worked on the V1 and V2. It is cheap, he says, but "not very efficient."

As to a military threat posed by OTRAG's rockets, the scientists say they are forced to agree with Herr Kayser, who says they have one-tenth the accuracy of military rockets. Reacting to the suggestion that West Germany ban exports to the Shaba test site of the parts OTRAG needs, the rocket specialists note that Herr Kayser can get the "windscreen motors anywhere off the shelf and the steel parts as well."

The clue to what OTRAG is up to may be found in the motives of its shareholders, who have invested DM 100m in the company. West German officials say doctors, lawyers and dentists are the main investors and that for every loss of DM 1,000 they make in OTRAG they are able to deduct DM 2,200 from taxable gains made elsewhere. This is apparently the reason Herr Kayser anticipates little trouble getting the DM 370m-400m he says he will need in order to get his rockets in production by 1981.

"These people would rather invest their money in a bogus company than let us get the smallest part of it," says a German tax official. He indicates that the authorities in the state of Hesse where OTRAG is registered are trying to nail the wide-ranging company for tax evasion.

Commission bid to cool fish row

By Philip Rawstorne

LUXEMBOURG, July 6.

THE EEC Commission today tried to cool the row over Britain's unilateral fishery protection measures.

Mr. Henk Vredeling, the Social Affairs Commissioner, told the European Parliament that the measures were little different from those which the Commission itself was proposing.

He regretted that Britain had taken unilateral action and hoped that the affair would not develop into a battle for political prestige.

The Commission had asked the British Government for full information and the issues would be discussed by the Council of Ministers on July 24. "There is reasonable hope of a solution," he said. "We are only a half-inch apart."

Mr. Mark Hughes, Labour MP for Durham, in a report from the Parliament's Agricultural Committee, said that scientific evidence clearly showed that without a ban on herring fishing off the West of Scotland stocks would soon be wiped out. Commission investigations had also shown that whiting and haddock stocks were being endangered by industrial fishing for Norwegian pout.

But Danish MPs angrily attacked the British moves. Mr. I. Christensen said that the UK measures would cost Denmark almost £6m this year and the eventual loss could rise to around £38m a year.

"Our developing regions are going to be very badly hit," he said. "I do not think that Denmark can wait for the Community to formulate a common fisheries policy. We are going to have to take the law into our own hands just as the UK has done."

Mr. E. Andersen said the British moves had been political and had nothing to do with fish conservation.

Mr. Finn Gundelach, the EEC Commissioner for Agriculture and Fisheries, is to visit the Shetland Islands shortly to meet local fishermen to discuss their problems. His visit was announced after he met a delegation of Shetland fishermen here.

Belgian parties finalise pact

BRUSSELS, July 6.

THE BELGIAN Government today moved nearer a solution of the country's language problems which contributed to last month's five-day Government crisis.

The Social Christian and Socialist parties, the main parties in the coalition government, agreed last night on a way to implement a pact on devolution they made after the April 1977 general election.

The pact provides for a semi-federal system for French-speaking Wallonia, Dutch-speaking Flanders and bilingual Brussels. Delays in implementing the agreement caused a Government crisis last month when Mr. Leo Tindemans, the Prime Minister, tendered his resignation. He withdrew it after a timetable was agreed to push through parliament simultaneously the devolution bill and another on economic austerity measures.

The devolution law envisages the establishment of three directly-elected regional assemblies.

Most of the haggling of the past few days has centred on the problems of bilingual Brussels. It was finally agreed that the French-speaking minority living around Brussels should enjoy the same protection as the Dutch-speaking minority of Brussels itself.

The negotiations were bogged down for some time on the mechanism of the planned seven-member Brussels executive. The Dutch-speaking lobby was insisting on giving each member some kind of veto right.

A solution was found by deciding that a member of the executive could block decisions only if a majority of his own group supported him in the assembly.

Reuter

Financial Times, published daily except Sundays and holidays. U.S. subscription ... Second class postage paid at New York, N.Y.

AMERICAN NEWS

Shifting attitudes in border conflict

By Joseph Mann in Guatemala

GUATEMALA HAS recently given subtle indications that it is adopting a less belligerent attitude in its long-standing dispute with neighbouring Belize, formerly British Honduras.

Last July, tensions between the two Central American states reached a critical point when Guatemalan army units made preparations to invade Belize, a small Commonwealth member located on the Caribbean coast of Central America. The Guatemalan Government, however, backed down after the UK moved troops and Harrier jump-jets to Belize and made clear that any aggression from Guatemala would be met with force.

Since then, talks have been held between representatives of the UK and Guatemala and tensions have been eased somewhat. Two thousand British troops are still posted in Belize as a deterrent to Guatemala.

Up until recently Guatemala—with 6m inhabitants and an army of around 15,000—has demonstrated little restraint in pressing its territorial claims against Belize, a country with a population of some 140,000 and a small volunteer guard. The Government here claims that all of Belize belongs to Guatemala and local maps clearly show the former British colony as simply another part of Guatemalan territory.

Over the past week, however, Guatemalan leaders have given indications that although they are not by any means abandoning their claims to Belize, at least their approach to the dispute has become less intransigent.

In his inauguration speech recently Guatemala's new President, General Fernando Lucas Garcia, stated: "We will not back down in the defence of our legitimate territorial rights, above all with respect to Belize." He went on to say, though, "we will also assume civilised attitudes in order to achieve a peaceful and negotiated solution, taking in consideration the interests of Belizeans . . . (and) without acting behind the back of the Guatemalan people . . ."

The President's statement on Belize was seen as a departure from the harsh rhetoric common to the previous Government, and may signal a significant change in attitude. Political analysts here described General Lucas's declaration as "helpful" and "a civilised approach to the Belize problem."

Guatemalan newspapers yesterday enthusiastically asserted that a resolution of the Belize question was imminent following a recent meeting in Miami between Mr. Ted Rowlands, Minister of State at the Foreign Office, and Guatemala's new Vice-President, Sr. Francisco Villagran Kramer. However, the Government denied that any resolution was in the offing, and analysts here said the informal talks were held in order that Mr. Rowlands and incoming Guatemalan officials might have a chance to meet.

The Miami meeting also allowed British and Guatemalan representatives to discuss the "memorandum of understanding" drawn up on June 2 at a meeting in New York between Dr. David Owen, the British Foreign Secretary, Mr. George Price, Prime Minister of Belize, and Mr. Dean Lindo, head of the opposition in Belize. The New York document stated that both "the Government of Belize and the opposition will be represented at any future talks or negotiations about the Anglo-Guatemalan dispute between the British and Guatemalan Governments." The memorandum also said that the Belizean parties would "put the issue of the Anglo-Guatemalan dispute above party politics and treat the search for a solution as a national objective." Any final agreement would be "put to the people of Belize in a referendum."

Although Belize has been ready for independence since 1964, the chief obstacle to achieving this status has been the dispute with Guatemala. Both the UK and Belize are now reluctant to move towards full independence until the threat of armed aggression from Guatemala is dissipated. Belize depends almost completely on the UK for defence against any Guatemalan military venture.

Guatemala has seen its international support in the region and beyond virtually disappear during the past few years as more and more countries affirmed Belize's right to self-determination.

Confusion over spending by 'cautious' consumers

BY DAVID LASCELLES

NEW YORK, July 6.

THE CONFUSION about U.S. consumer spending plans is highlighted today by a report from the New York Conference Board, the business research organisation, which shows that inflation has made shoppers very cautious. This contrasts sharply with the recent findings of the equally respected Michigan Survey Research Centre that "Buy-now-before-prices-rise" attitudes are at a record level.

According to the Conference Board, retail sales during the first half of this year were up about 7 per cent on the same period last year. But inflation accounted for an estimated 6 per cent of this, leaving a growth in real terms of only 1 per cent.

At the same time, though, the Board notes, disposable personal incomes were up 11 per cent. The difference is reflected in a higher rate of savings, which has been averaging 6 per cent this year against 4.7 per cent last year. Retail outlets, the Board says, received less than 53 per cent of all spendable income in the first half of this year against over 54 per cent a year ago.

By contrast, the Michigan report showed that consumers expect inflation to continue at high levels, and are stocking up with goods while they can. As evidence, the report cited the sharp rise in consumer credit in the past months: $4.07bn in March and $3.72bn in April, the two biggest monthly increases ever.

The strength of consumer demand could be one reason why the U.S. economy is showing some strength at the moment, the Michigan centre concluded.

These conflicting reports make life difficult for economists who hold that consumer spending can be an important if not decisive factor in pulling the economy forward. It is generally held that consumers led the way out of the 1973-75 recession, so their intentions at this moment when the recovery is still in doubt need to be well defined.

SEC backs accountancy moves

BY STEWART FLEMING

NEW YORK, July 6.

THE SECURITIES and Exchange Commission (SEC), the U.S. Government agency charged with supervising the securities markets, has given carefully qualified approval of the steps the U.S. accountancy profession has taken so far to tighten up its self-regulatory procedures.

In a 1,300 word report on the profession specially prepared for Congress, the SEC says that it has not concluded "at the present time, that comprehensive Government regulation would be a superior means of ensuring that accountants discharge their responsibilities.

But it makes it clear that it is not wholly satisfied with the profession's efforts to improve self-regulation. Accountants, however, point out that it is only a year since the American Institute of Certified Public Accountants began aggressively to move towards establishing new self-regulatory procedures.

This means that it is highly unlikely that the SEC would, at so early a stage, have given them firm approval since they have not been tested. On the other hand, the SEC report makes it clear that the agency feels the systems are deficient in some respects.

Through the 1970s, starting with criticisms of auditing firms stemming from company failures and frauds but latterly as a result of the corporate bribery disclosures, the auditing profession has been under attack.

In order to try to make it more responsive to the public in the past year, a public oversight board has been set up and the profession divided into a public practice section and a private practice section, with the former designed to include accountancy firms carrying out audits of publicly quoted companies registered with the SEC.

The SEC report is critical of the fact that membership of the sections is not mandatory and points out that disciplinary mechanisms are as yet untested.

It also expresses reservations about a central feature of the self-regulatory system, the peer review arrangement, under which a firm which has SEC-registered companies as its clients would have to have its working systems audited by outside auditors.

The SEC is critical of the fact that the peer review system is being conducted privately and as Mr. Harold Williams, the SEC chairman, put it "now stands perilously close to being reduced to a self-serving effort behind closed doors."

IMF grants $28.1m credit to Vietnam

By David Buchan

WASHINGTON, July 6.

VIETNAM has been given a $28.1m (SDRs22.5m) credit from the International Monetary Fund (IMF) to cover essential foodgrain imports. The Vietnamese government promised the IMF that it will try to step up agricultural production and exports and curb monetary expansion.

Vietnam's two previous drawings from the Fund last year and in 1976, totalling SDRs46.5m, have not had such strings attached. But the latest loan is the country's first IMF credit drawing, and as such has "a certain degree of conditionality tied to it." Fund officials said.

The Fund comments that Vietnam has made "major progress" in reconstructing its economy since it became an IMF member in 1975. But bad weather last year led to food shortages and put a considerable strain on the country's balance of payments in both 1977 and the first half of this year.

Further food imports are expected to continue to strain Vietnamese hard currency reserves in the coming year. Repayment of IMF credit tranches is normally within three to five years.

IBM considers reorganisation

ARMONK, July 5.

INTERNATIONAL Business Machine Corporation (IBM) said that a study is being conducted to look at how the company can best serve its customers in the countries where it operates. The study focuses on whether giving greater self-sufficiency to its business units would accomplish this objective.

Among the changes to be studied is the establishment of the general business group as a worldwide subsidiary, wholly owned by IBM.

The study will take several months, and will include the U.S. and 21 other countries.

AP-DJ

Liberals win by-election in Montreal

By Robert Gibbens

MONTREAL, July 6.

THE QUEBEC Liberals have won the by-election in the constituency of Nôtre Dame de Grace in West-end Montreal, increasing their majority by 20 per cent over that of November, 1976.

After the result was announced, Mr. Claude Ryan, the Quebec Liberal leader, called on the provincial Premier, M. René Levesque, to hold a referendum this autumn on whether the province should seek to leave the Canadian federation, and to hold a general election next spring.

The Liberal candidate, Mr. Reed Scowan, received 62 per cent of the vote in a 60 per cent turn-out. A bilingual former businessman, he sold his paper-converting business to the Bowater Group nearly a decade ago, and more recently was head of the Federal Anti-Inflation Board. The campaign was fought largely on the language issue and the Government's French - Language Charter.

The Liberals regard the result as a vindication of their recent choice of Mr. Ryan as provincial leader. Mr. Ryan declared that the Language Charter would be modified by a Liberal government to allow Canadians moving to Quebec from other provinces freedom to choose the language used in education of their children. He promised to ease the rules of the charter, which require all outdoor signs to be in French only.

Mr. David Deyong, an independent, came second in the by-election, which was in a constituency embracing the industrial and predominantly francophone Ville St. Pierre. The candidate of the ruling Parti Quebecois was third.

AMERICAN COMPANY NEWS

Toronto group gains control of Argus: Mistrial declared in IBM anti-trust case; Commonwealth Oil regoranisation—Page 26

Jamaica to receive aid from Cuba

By Canute James

KINGSTON, July 6.

THE CUBAN and Jamaican Governments have concluded a technical and economic co-operation agreement which will give Jamaica assistance valued at $35m over the next year.

Cuba will provide Jamaica with six technical and physical education institutions — with equipment, material and expertise—assist in improving the Kingston water supply, double the number of Cuban doctors working here to 40, and provide 300 scholarships for Jamaicans to study low-cost construction in Cuba.

In return, Jamaica will help Cuba in the development of tourism and in the training of Cubans in tourist skills, provide information on agricultural technology (particularly new methods of irrigation) and assist the Cuban sugar industry in action to ward off cane smut disease.

The agreements were negotiated by the joint Cuba-Jamaica mixed commission which was established in 1975, and which is also looking at possibilities of trade between the neighbouring islands.

Iran oil talks

The fourth round of talks between Iran and representatives of the Western oil consortium which operates the Iranian oil industries and markets most of Iran's oil are progressing "satisfactorily," acording to the National Iranian Oil Company, AD-DJ reports. But the discussions are likely to take longer than reflected earlier. The talks with representatives of British Petroleum, Exxon, French Petroleum, Royal Dutch and seven American independents started on Saturday.

Bangladesh aid

Bangladesh is likely to receive £150m as aid from Saudi Arabia, reports our correspondent in Dacca. A Bangladesh delegation is going to Riyadh to ask the Saudi Government to provide aid for the troubled economy. Bangladesh is reported to have requested the Saudi authorities for £600m in aid and grants.

OVERSEAS NEWS

S. Koreans re-elect Park as President

President Park Chung-Hee of South Korea was re-elected yesterday for another six-year term in an uncontested ballot, Reuter reports from Seoul. The former Army general—the only candidate—received all but one of the 2,578 votes cast by a Presidential electoral college, called the National Conference for Unification.

President Park, 60, who has already steered South Korea through 17 turbulent years, needed only a simple majority for re-election. One vote was invalid and five delegates were absent.

The main opposition, the New Democratic Party, refused to endorse a candidate because the party said it would be meaningless to do so.

Mr. Park seized power in 1961. After two years of rule by his military junta, he was elected civilian President and was re-elected in 1967 and 1971.

New nation

The Solomon Islands became an independent nation last night, after 85 years of British rule, Reuter reports from Honiara. Mr. Peter Kenilorea, the 35-year-old Prime Minister, hopes British aid of £26m over the next four years will help the new country meet its early problems. But his first task may be to maintain unity in a country that stretches across an island chain of mountains and small coral atolls that snakes through 870 miles of the Coral Sea.

Aircraft in danger

Congestion at Tokyo's controversial new Narita international airport has caused near misses between aircraft since its opening six weeks ago ,according to air traffic controllers, Reuter reports. In a poll conducted by a trade union, nearly 70 per cent of controllers at the airport said they worked under intense pressure coping with traffic from two nearby airports. Ten of the 250 controllers said they had witnessed near misses.

Soweto release

Lekgau Mathabathe, a leading figure in the African township of Soweto, has been freed after nine months' detention without trial, Reuter reports from Johannesburg. Mr. Mathabathe was a member of the unofficial "Group of Ten" which took over the troubled township's political leadership after the collapse of its recognised black authority last year.

Rhodesia race laws

The two black parties represented in Rhodesia's transitional Government yesterday attacked an executive Council plan for a committee to examine ways of ending racial discrimination, Reuter reports from Salisbury. The United African National Council of Bishop Abel Muzorewa accused the coalition of delays and demanded the immediate scrapping of all race laws. The Zimbabwe African National Union of the Rev. Ndabaningi Sithole said it was extraordinary that after four months in power the transitional Government only now was setting up a committee to look into discrimination.

Indonesia denial

The Indonesian Government has denied rumours that it would revalue the Rupiah upwards in the next few days, Reuter reports from Jakarta. "There will be no immediate change in the Rupiah's value," Mr. Ali Wardana, the Finance Minister, said after talks with President Suharto.

Cuba force cut

Cuba has cut its troop force in Ethiopia by about 25 per cent to between 12,000 and 13,000, according to diplomats in Khartoum, Reuter reports. The U.S. Government estimated that between 16,000 and 17,000 Cuban troops were sent to Ethiopia to help the Addis Ababa Government drive the Somali army from the disputed Ogaden Desert last March.

Uganda prices up

The Uganda Government has officially imposed staggering new prices on everyday commodity goods, John Worrall reports from Nairobi. The new prices were announced in the Government-controlled newspaper Voice of Uganda. Capt. Noah Mohammed, the Commerce Minister, said the new prices "would provide services to the people, finance the action programme and meet the high cost of production in industry. The prices are similar to those on the black market, which has been flourishing in Uganda for years.

Iran-Australia uranium deal likely this month

BY ANDREW WHITLEY

TEHRAN, July 6.

AUSTRALIA AND Iran are expected to sign a nuclear safeguards pact on the supply of uranium ore by the end of this month. The agreement follows four years of interrupted negotiations.

Final contracts on the supply of 15,000 tons of uranium to Iran could follow the safeguards pact almost automatically. Deliveries are likely to be over a five-year period, commencing in 1980.

In any case Australia does not expect to be in a position to export uranium until then, pending the sorting out of its own internal problems with the trade unions and the aboriginal land where the deposits occur.

In the past two months the pace of negotiations between Australia and Iran has hotted up. In May and June Iranian delegations discussed outstanding problems over a future reprocessing option, and earlier this week the way was cleared for the initialling of the draft agreement, following the visit to Tehran of a senior Australian trade official.

An Iranian concession on reprocessing broke the deadlock encountered in the May talks. Although the Atomic Energy Organisation of Iran (AEOI) says a firm political decision not to purchase a reprocessing plant has been taken, Iran is known to want to retain the option of moving into the fast breeder cycle as soon as there is worldwide agreement on the subject.

The dispute with Australia centred on Iran's insistence that Canberra spell out the terms under which it would agree to Iranian reprocessing. The deadlock was apparently broken when Iran accepted a postponement of the issue, provided it was protected by a "most favoured nation" clause.

Judging by the discussions to date, Iran is thought likely to pay in cash, rather than request supplier credits or oil barter arrangements, for what will be Australia's largest uranium export contract.

Parallel with the Iran talks, discussions have also been conducted with its second largest customer, Japan, on a safeguards pact. Its signature is expected shortly after the Iranian agreement.

Fresh obstacles have meanwhile held up signature of a bilateral nuclear non-proliferation treaty between Iran and the United States at virtually the last moment. The precise interpretation of a "most favoured nation" clause covering the transfer of nuclear technology to Iran is thought to be responsible. After over two years of negotiations, the agreement was to have been initialled in Tehran towards the end of last month.

GHANA UNDER NEW LEADERSHIP

Economic action needed

BY MARTIN DICKSON

WHATEVER THE immediate cause of General Ignatius Acheampong's resignation as Ghana's Head of State on Wednesday, the country's deep political divisions and severe economic problems almost certainly lie at the heart of this unexpected turn of events.

A Herculean task faces Ghana's new leader, Lieut. Gen. Frederick Akuffo, a Sandhurst-trained career soldier with a reputation for taking tough, decisive action. Strong and unpopular measures are likely to be necessary to put the country back on the road to economic stability, while Gen. Akuffo has to find some way of defusing the major political tensions generated by his predecessor's controversial plans for a new constitution.

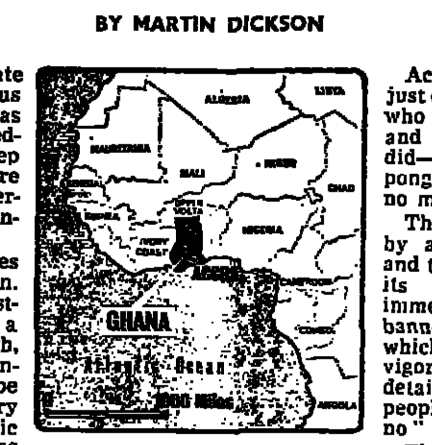
That Ghana's ruling Supreme Military Council is aware of the huge task before it was hinted at in the terse announcement of Gen. Acheampong's departure. The Head of State, it said, had resigned "to ensure the unity and stability of the country."

In the absence of any fuller explanation, it is being assumed in London that Gen. Acheampong did not relinquish power voluntarily but was forced to step down by other members of the Supreme Military Council, concerned at the groundswell of popular feeling against the administration.

If this is the case, the first task of the new leadership would have been to ensure that there was no backlash from within the army and changes in some top military positions in the past 48 hours suggest that Gen. Akuffo faces no threat.

A central question now is whether the new leadership will show any substantive change of political tack and the answer to this is unlikely to emerge for some time. Gen. Acheampong may have gone, but the Supreme Military Council is still in power and, given its close association with his political plans, it would be both embarrassing and difficult for it to backtrack completely from them, should it wish to do so.

Nor has there been any suggestion yet that Gen. Akuffo intends altering Gen. Acheampong's plans for a new "Union Government" constitution, which has been the subject of strong political controversy in Ghana ever since he mooted the idea in 1976.



Union Government is supposed to be a means of resolving the repeated political upheaval that has plagued Ghana since independence in 1957. The last major change was in 1972 when a bloodless military coup overthrew the civilian administration of Dr. Kofi Busia and brought Gen. Acheampong to power.

Amid persistent calls from the sophisticated professional elite for a return to participatory demrocracy, Gen. Acheampong proposed "Union Government," at first a rather ill-defined idea which acquired flesh as an official commission collected views last year on what form it should take.

Major points in the commission's report, which was accepted by the Government, were that there should be no political parties in Ghana but direct nation-wide elections for a single chamber parliament. Separate elections would be held for an executive President.

Contrary to what appeared to be Gen. Acheampong's original idea, the commission advised that there should be no active participation of the armed forces in Government.

Since then, however, doubts have persisted that the military leadership genuinely intends to relinquish power. Gen. Acheampong himself advocated a continuing military role in Government and there had been persistent speculation that he would stand as President.

Opponents of the administration, including the professional elite, students and a wide range of former politicians, therefore campaigned strongly against "Union Government" when this was put to a referendum last March, calling instead for a return to full civilian rule.

According to the Government, just over 50 per cent of Ghanaians who voted in the referendum—and under half the electorate did—supported Gen. Acheampong's scheme. But this has by no means ended the controversy.

The poll was badly tarnished by allegations of vote rigging and the Government did not help its public image when immediately after the poll it banned the three organisations which had campaigned most vigorously against it and then detained over 30 prominent people associated with the "vote no" movement.

There are still several stages to be passed before "Union Government" comes into effect in July next year, the first being the drawing up of a new constitution by a special committee. There is therefore still considerable room for Gen. Akuffo to modify his predecessor's scheme to take account of the widespread dissatisfaction.

Intimately bound up with political unrest is the severe plight of the economy, which is affecting the standard of living of every Ghana citizen. For over two years now, inflation has been running at more than 50 per cent a year. There are suggestions that it is now up to the 100 per cent mark or even higher. There are persistent shortages of basic commodities such as sugar and soap.

Although General Acheampong took over Government at a difficult time and was then faced with several years of drought and the huge 1973-74 oil price rise, his Government never solved the underlying malaise of the Ghanaian economy.

Central to this is the fact that Ghana has never succeeded in sufficiently diversifying away from its dependence on cocoa as a foreign exchange earner, providing over 60 per cent of export earnings. On top of this, cocoa production in Ghana, the world's major supplier, has been falling steadily over the years. Total production this season is forecast at a dismally low 278,000 tonnes—the smallest output since 1958 and less than half the peak production of 566,000 tonnes in 1964-65.

The hope must be that Gen. Akuffo can get Ghana firmly back on the path to economic stability, so as not to bequeath to the next Government a legacy which could undermine its standing from the beginning.

Janata Minister in protest resignation

NEW DELHI, July 6.

THE DEPUTY leader of the ruling Janata party in Parliament, Mr. Shyam Nandam Mishra, quit his post today in protest over the dismissal last weekend of Mr. Charan Singh, the Home Minister.

Mr. Mishra, an ardent supporter of the displaced minister, accused Mr. Morarji Desai, the Prime Minister, of failing to take the party's parliamentary wing into his confidence before sacking Mr. Singh from the cabinet.

He told journalists that Mr. Desai's charge against Mr. Singh lacked not only substance but also plausibility.

The 75-year-old former home minister was fired because of his growing differences with Mr. Desai but the immediate provocation was provided by his statement last week that Mrs. Indira Gandhi, the former Prime Minister, should be arrested and tried by a special court for charges arising from her emergency rule.

Four junior ministers also resigned after Mr. Singh's dismissal

Reuter

Call for reform in Brazilian business

BY DIANA SMITH IN RIO DE JANEIRO

BRAZIL'S MORE traditional businessmen warn gloomily of the dangers of socialism, communism or chaos if the Government loosens its grip over political life and the economy. But a new cosmopolitan generation of businessmen is now moving into the lead; and they not only welcome President Ernesto Geisel's gradual liberalisation of the regime, but call for more rapid movement towards democracy.

This process has been highlighted by the signing this week by eight prominent businessmen—according to a poll carried out last year, the eight most prominent in the country—of a document calling for full democracy and immediate action to remedy Brazil's "profound social inequalities." The document also set out the reforms they see as necessary for the economy, including financial reforms, rationalisation of public spending, better control of public enterprises, and more controls on foreign investment.

Given Brazil's traditions of paternalistic control, patronage, and sometimes lethargy, it is not surprising that traditionalists fear not only political but economic liberalisation. They have to adapt to free wage bargaining; to not being protected from the possible consequences of their own decisions, and having to make these without guidance from the authorities. They have too, to face to the prospect of corruption being investigated, and punished and to having to cope with social tensions.

The new generation of businessmen, however, have their eyes much more on Brazil's growing international importance. They do not fear competition, and are interested in long-term and risk investments term and risk investments, rather than concentrating on investments providing quick returns, as the traditionalists do. Their growing importance in Brazilian business has been conspicuous in the handling of the recent metal-workers strike in the country's most prosperous, heavily industrialised, and independent-minded area, Sao Paulo state. Both unions and Government also earned credit in the dispute, the latter refraining from repressive intervention, despite the fact that strikes remain illegal in Brazil.

The strikes, which were disciplined and meticulously organised, were purely in support of wage claims, and had no political undertones. The first companies affected were foreign concerns like Ford and Volkswagen, and these set the tone for the general response. Their managements, used to dealing elsewhere with their workers face-to-face, listened to the claims, and, recognising their justice, granted them. The claims were for wage rises of 10 to 15 per cent above those provided for by the Government's wage adjustment formula. Although in theory this should keep purchasing power constant, in fact it fails to keep wages apace with inflation.

When the strike spread to Brazilian companies, there were sporadic cries for forceful Government intervention, or at least Government guidance. But the majority of Brazilian managers, like their foreign counterparts, granted the requested rises. The Government, in turn, has said the effect of the rises must not be passed on to prices. The strike thus marked a watershed: while the unions showed they had learned how to make strong claims without political agitation or demagogy, the manager showed they could cope with the situation without running to the Government for directives, police repression, or arbitration. Meanwhile, the strike laid the ghost of a return either to the turbulence of 1968, or the excessive wage claims of 1963, used as an excuse by ultra-conservatives for perpetuating an authoritarian regime.

The attitudes of this new generation of managers are given detailed expression in the document signed this week, whose tone, while quite familiar in any country where the voice of business in economic decision-making is accustomed to be heard, is new for Brazil. Its signatories include the chairman of large, heavy industrial companies like Bardella, Villares, and Metal Level.

The document contains a powerful plea for democratisation. "We are convinced," the signatories say, "that only one regime permits full airing of interests and opinion with enough flexibility to absorb tensions without turning them into undesirable class conflicts—a democratic regime.

"We believe that free enterprise and the market economy are feasible and durable in Brazil, as long as we build institutions that protect citizens' rights and guarantee freedom." It also calls for less State control: "return of control to society, not control of society by the State."

While recognising that in the past economic development has co-existed with profound social inequalities, the document says that these have become "critical," threatening long-term social stability, and "immediate solutions" are needed. It calls for "fair wages" and "legitimate bargaining between management associations and trade unions" which must be "free."

The signatories call for increased investment to deal with the "glaring shortcomings" in health, education, sanitation, housing, transport and the protection of the environment. It also calls for more equitable income-tax, together with progressive capital gains tax, the recycling of the public debt, and more efficient use of public money. Social spending, it says, could revive the economy, and create the new jobs required by population growth.

The document calls for a number of measures to strengthen private enterprise in Brazil, notably the encouragement of investment, particularly long-term, the encouragement of technological development, the bringing of the public sector under effective control, and the regulation of foreign companies.

Its criticisms of the Brazilian financial sector are sharp. The private financial sector, it says, channels finance to investments providing a quick return, or to unproductive investments, and is incapable of taking necessary risks. Meanwhile, public financial institutions are inflexible. In consequence, there is a shortage of funds for long-term investment, creating a need for foreign financing, and thus large scale foreign indebtedness.

Brazil's heavy foreign indebtedness has had a number of unfortunate effects on the economy, the signatories of the document maintain. Fresh foreign loans are needed, so that the Government can repay interest or principal on earlier ones. It has led to higher interest rates than otherwise necessary, pushing up companies costs, and fuelling inflation. Meanwhile, sizeable devaluations are prevented, because of the effect they would have on companies in debt abroad. Thus exports are penalised.

Calling for clear policies on technological development, the document places special emphasis on the development of new energy sources "respecting Brazil's natural and human resources." Large-scale technological homogeneity, it says, calls for a long-term Government purchasing policy, with state-run enterprises subordinated to overall industrial policy.

The document also calls for "selective regulation of the influx of foreign capital" in the interests of ensuring that foreign investment brings technological benefits to the country. It calls for "precise ground rules" governing the influx of risk capital "that are not a question of restrictions but of lasting principles." The signatories also maintain that policies such as they suggest call for "active participation of businessmen in preparing them."

Five years ago, such a document would have been impossible in Brazil. Shortcomings were simply not admitted, so much so that directives from the Government censors specifically banned "discussion of negative aspects of the economy." While calls for better living standards, and less state control, came merely from intellectuals, students, or the Church, it was not difficult for the Government to label them "left-wing" or even "subversive." Now that the advocates of democracy are also determined believers in the free enterprise system, a new response must clearly be found.

WORLD TRADE NEWS

BRITAIN'S LEADING EXPORTERS

BP overtakes ICI and Ford

BY GEOFFREY OWEN

IN VIEW of the importance of North Sea oil to the balance of payments, it is appropriate that British Petroleum should now emerge as the nation's largest exporter. In 1977 BP exported £1.077bn worth of oil products and £111m of chemicals, compared with £500m and £113m respectively in 1976.

On the non-oil side Ford achieved a big increase in direct exports last year but just failed to catch ICI. British Leyland slipped into fourth place, a situation which the new management will no doubt be anxious to change. In terms of net exports (that is, exports minus imports) BL remains ahead of both ICI and Ford.

In the rest of the list notable gains were made by EMI (45th to 27th place), John Brown (66th to 53rd), Wellcome Foundation (75th to 55th) and Weir (95th to 76th).

A newcomer to the list is British Aerospace, which has produced accounts for the year ending December 31, 1977. British Shipbuilders would also be high on the list, but its financial year ends in March and a full 12-month figure for 1977 is not available; in the nine months ending March 31, 1978 British Shipbuilders reported exports amounting to £228.5m.

As usual, there were several companies fractionally below the 100th place. These included George Cohen 600 Group, Rank, Polaroid, Every Ready, Westland, Vickers and Marks and Spencer.

It should be borne in mind that a company's exports, especially in capital goods, may fluctuate erratically from year to year because of the timing of contract' completions. Davy International, for instance, reported exports of £65m in 1975, £25m in 1976 and £111m in 1977.

This is the sixth year in which the Financial Times has published its list of leading exporters. It is confined to manufacturing companies and is based on figures for direct exports of manufactured goods, as published in annual reports or obtained direct from companies.

Except where otherwise stated, the figures relate to the financial year which ended in 1977. This can produce some oddities. For example, Ever Ready, whose financial year runs to end-February, reported exports of £41.9m in 1976/77 and just failed to qualify for inclusion; in the year to February 1978 its exports amounted to £53.5m, which would have qualified for 81st place.

As in previous years, a number of qualifications need to be made about the list. First, the figures do not give a complete picture of a company's contribution to the balance of payments. Not only are imports not taken into account, but the figures also exclude other forms of overseas income. Thus Pilkington, 92nd on the list, received income from royalties, dividends etc., amounting to £49.2m. Similarly Rank Xerox reported exports of £117m and other overseas income of £56.5m.

Second, there are one or two cases where subsidiaries of the same parent are shown separately. If Esso Petroleum and Esso Chemicals had been combined, they would have achieved 27th place in the list. If the three subsidies of General Motors were put together (Vauxhall, General Motors Limited and General Motors Scotland), their total would have been £263m.

Finally, it is almost impossible in a list of this kind to avoid some errors and omissions. It is hoped that these will be brought to our attention by the companies concerned.

THE TOP HUNDRED EXPORTERS—1977

Previous year's ranking is given in brackets

	1977 £m	1976 £m
1 (4) Brit. Petroleum	1,188	613
2 (2) ICI	936	822
3 (3) Ford	894	632
4 (1) British Leyland	854	897
5 (5) British Steel	623	448
6 (—) British Aerospace	536	371
7 (6) GEC	524	405
8 (16) Royal Dutch Shell	440	187
9 (8) Unilever	429	305
10 (10) Courtauld	405	285
11 (7) Massey-Ferguson	369	337
12 (9) Hawker Siddeley	295	299
13 (13) Rolls-Royce	285	235
14 (12) IBM	264	240
15 (15) Distillers	245	193
16 (19) BICC	213	165
17 (17) Vauxhall	195	186
18 (14) Inco Europe	183	219
19 (24) Chrysler UK	176	123
20 (21) GKN	175	144
21 (20) Philips	157	145
22 (27) BAT Industries	154	113
23 (23) Tube Investments	148	125
24 (32) Dunlop Holdings	141	126
25 (28) Lucas	140	112
26 (29) Caterpillar	139	100
27 (45) EMI	129	71
28 (22) Conoco	122	117
29 (37) Rank Xerox	117	91
30 (34) Ciba Geigy	116	93
31 (26) Texaco	112.0*	115
32 (33) Glaxo	111.7	94
33 (—) Davy Intnl.	111	25
34 (31) Johnson Matthey	110	98
35 (35) Thorn	106	92
36 (32) STC	104	95
37 (—) Nthn. Eng. Ind.	95.0	—
38 (48) Plessey	94.0	69.1
39 (44) Turner & Newall	93.7	71.8
40 (43) Albright & Wilson	91.9	74.0
41 (50) Racal	91.2†	68.1
42 (52) Intnl. Harvester	91.0	67.4
43 (47) RTZ	89.7	69.7
44 (54) Eng. China Clays	87.4	65.8
45 (30) Tate & Lyle	87.0	98.5
46 (18) Esso Petroleum	86.3	181
47 (42) IMI	84.7	75.2
48 (40) Mobil	83.7	79.4
49 (55) Kodak	83.5	64.4
50 (46) ICL	83.0	70.8
51 (38) Michelin	82.6	90.5
52 (61) Babcock & Wilcox	81.7	59.7
53 (66) John Brown	75.3	55.9
54 (39) Burmah	75.2	81.7
55 (75) Wellcome Fndtn.	73.0	50.7
56 (51) Cummins	72.0	67.8
57 (70) Delta Metal	71.0	54.5
58 (73) D. Brown Tractors	71.0§	52.9
59 (58) Reed Intnl.	70.6	61.6
60 (56) Associated Octel	70.3	64.3
61 (41) Simon Engineering	70.2	78.3
62 (60) Monsanto	70.1	59.9
63 (67) S. Pearson	69.8	55.6
64 (36) Stone Platt	69.6	90.9
65 (53) BSR	68.1	67.0
66 (64) Acrow	67.7	57.4
67 (68) Rothmans Intnl.	67.3	55.6
68 (71) De La Rue	66.5‡	†53.3
69 (78) Beecham	66.2	48.0
70 (88) Alcan UK	64.9	39.8
71 (57) Gulf Oil	64.50	63.1
72 (69) Fisons	64.46	55.2
73 (65) Seagram	63.3	56.4
74 (74) Coats Patons	60.0	51.6
75 (59) Booker McConnell	58.7	60.5
76 (95) Weir	57.7	37.1
77 (80) BOC Internatnl.	55.9	45.8
78 (83) Du Pont	55.8	43.9
79 (81) Tootal	55.2¶	45.1
80 (84) Grand Metropltn.	54.8	42.9
81 (79) J. C. Bamford	53.0	47.5
82 (85) Govan Shipbuilders	52.1	41.1
83 (63) Esso Chemical	52.0	58.2
84 (94) Imperial Group	51.9	37.3
85 (76) Decca	51.8	49.1
86 (77) British Aluminium	51.6	48.7
87 (—) Rowntree Mack'tosh	49.9	31.4
88 (—) Cadbury Schweppes	49.1	33.7
89 (99) Illingworth Morris	48.6	35.3
90 (96) Arthur Guinness	48.3	36.1
91 (—) Ass. Port. Cement	47.4	23.4
92 (—) Pilkington	47.2	32.6
93 (87) Sears Holdings	47.0¶	39.9
94 (82) Molins	46.7	44.6
95 (86) Singer	46.3	41.0
96 (91) Associated Eng.	46.0	39.6
97 (98) Gestetner	45.5	35.4
98 (90) Rolls-Royce Motors	45.2	39.6
99 (—) Metal Box	43.5	31.5
100 (—) Burroughs Machines	43.0	29.3

* Unaudited. † Calendar year. ‡ Financial year ending March 31, 1977. § 13-month period. ¶ Year ending January 31, 1978

Portuguese optimism on Renault agreement

By Our Own Correspondent

LISBON, July 6

NEGOTIATIONS for the FFr 1bn Renault investment in Portugal have moved a step forward with the signing in Paris of a partial agreement, Portugal's Ministry of Industry and Technology announced.

The Ministry said intergovernmental study groups were continuing their investigations but did not say whether the final contract, due for signing this month, was on schedule.

Last September Renault announced plans to build a new engine factory with a capacity in ten years time of 300,000 units. The investment, eagerly encouraged by the Socialist led Government, will create 7,000 new jobs and is the largest token of confidence in Portugal's economic future since the 1974 revolution.

Meanwhile, industry sources are optimistic about the future of the motor industry in spite of rising product prices, and the most expensive petrol in Europe.

They say Portugal's pending membership of the Common Market will markedly change the local picture, now compulsorily orientated towards assembly with high local content.

A new law governing import quotas, which were fixed in 1976, is in the pipeline and the industry is hopeful about the potential in medium commercial vehicles and heavy trucks.

Car advertising has been picking up in the past two months because assembled stocks of some makes have piled up after confusion over import permits and new sales duties.

At least one executive believes that an export market for locally assembled vehicles could grow out of the increasing business confidence now showing itself in Portugal.

Plans finalised for Franco-Brazilian helicopter venture

BY DIANA SMITH

RIO DE JANEIRO, July 6.

PLANS HAVE now been finalised for establishing a Franco-Brazilian helicopter asembly project in Brazil. The Helibras project, involving an initial output of 200 Ecureuils and 30 Lama helicopters, is scheduled to start at Itajuba in Minas Gerais state in 1979.

The initial capity of Cr 62h ($3.5m) will be shared by the Minas Gerais state government (45 per cent), the Brazilian aerial photography company Aerofoto Cruzeiro do Sul (10 per cent) and Aerospatiale (45 per cent) to comply with Brazilian legislation requiring Brazilian majority shareholding in new industrial joint ventures. The fixed investment of $8.98m will be shared on the same basis.

Since Brazil has until now imported all its 180 helicopters, the new venture will represent a major foreign exchange saving.

Under the Helibras agreement, Aerospatiale will initially supply all parts and components for aircraft, and progressively transfer technology (without payment of royalties) so that, in the second year of production (1980) the Brazilian-made content will be 27 per cent, and in the fifth year, 85 per cent.

In order to balance imports of components and exports of the aircraft, Aerospatiale is committed to ensuring that, initially, 25 per cent of the output is exported, rising eventually to 50 per cent.

The Brazilian air force is expected to purchase some of the Lamas (heavy-duty) and Ecureuils (passenger transport) but, an Aerospatiale spokesman in Rio de Janeiro stressed that the civilian market will be a vital outlet.

U.S. contract for Embraer

LOS ANGELES, July 6.

AERO-INDUSTRIES, a closely-held company that owns several commuter airlines, has bought a dozen 18-seat EMB110 planes from Embraer S.A. of Brazil for $12m.

Mr. Robert M. Terry, president and chief stockholder, said that Aero-Industries has also agreed to become sole U.S. sales agent and service representative for the EMB110. He predicted that more than 100 of the commuter planes, valued at more than $100m, will be imported into the U.S. by the end of 1979.

Mr. Terry said that the first dozen planes will be used by three Aero-Industries subsidiaries—Pacific Seaboard Airlines, which flies among Los Angeles-area airports, Silver State airlines which shuttles passengers between Las Vegas and the Grand Canyon and Trans-Mountain Airlines which flies from Denver to various ski resorts.

Though the EMB110 is assembled in Brazil by Embraer, Mr. Terry said about half the parts including its Pratt Whitney PT6A-34 turbo-prop engines are made by U.S. companies.

These will be the first Embraer planes to be used in the U.S. Most commuter airlines currently fly metro-liners made by Fairchild Industries Swearingen Aviation unit or twin Otter planes made by De Havilland Aircraft of Canada

AP-DJ

U.S.-Soviet imports may rise

BY DAVID SATTER

MOSCOW, July 6

THE VALUE of U.S. exports to the Soviet Union remained virtually unchanged during the first quarter of this year compared with the first quarter of last year but US commercial sources expect exports to increase significantly over the next nine months.

Figures released by the U.S. Embassy show a $92.1m decrease in first quarter U.S. non-agricultural exports cancelling out a $86.6m increase in agricultural exports and leaving the total value of US exports at $593.6m, .01 per cent less than the $599.1m worth of exports recorded for the first quarter of 1977.

U.S. commercial sources, however, said that substantial sales of oil field equipment to the Soviets have been concluded and these sales will show up in the export totals when deliveries are made later this year.

The Soviets have so far bought more than 14m tonnes of grain from the U.S. in the agricultural year October 1977 to September 1978, compared to only 6m tonnes for October 1976 to September 1977. Sales are expected to reach 15m tonnes by September and continue through the rest of 1978.

The overall volume of U.S.-Soviet trade increased 12 per cent during the first quarter of 1978 because of a 244 per cent rise in the value of Soviet exports to the United States which had a value of $144.4m during the first quarter compared to a value of only $59.3m during the first quarter of last year.

Most of the increase in Soviet exports to the U.S. was, however, due to an $80.9m sale of gold bullion by the Soviets, one of the largest Soviet gold sales to the U.S. in recent years.

The total value of U.S.-Soviet trade during the first quarter was $738m compared to $658.4m during the first quarter of 1977.

Swedish car sales drop sharply

BY JOHN WALKER

STOCKHOLM, July 6.

SALES OF new cars in Sweden during the first six months of this year showed a dramatic drop of over 30 per cent from 143,000 units in the first half of 1977 to 98,000 in the same period this year. June this year was one of the worst on record with sales at 17,900 units compared with 20,700 a year ago.

Car imports in the first half of the year amounted to 72,467 units compared with a total in the first half of 1977 of 93,500 units, according to the Swedish Association of Motor Manufacturers and Traders.

The great upswing in buying in the 1977 first half was primarily activated by an impending increase in the value added tax in the second half.

The market is not expected to see much of an increase in buying during the second half of this year. Some manufacturers have held on grimly to their market share. The Japanese share has dropped by only a very small margin to 8.8 per cent, Volvo's share has moved downwards to 22.5 per cent in the first half of this year, from 23.4 per cent in the same period in 1977; while Saab's share has increased from 11.3 per cent to 13.3 per cent. Volkswagen's market share has followed the general pattern downwards from 13.3 per cent in the first half of 1977 to 10.1 per cent this year.

Iran to buy ships

BY ANDREW WHITLEY

TEHRAN, July 6.

THE IRANO-HIND Shipping Company is to purchase seven or eight bulk ore carriers within the next five years, according to its vice-chairman, Admiral Kishan Dev. A decision will be taken on initial needs, and on whether or not to buy new or second-hand within the next six months.

The vessels will be needed to transport an eventual 7.5m tons of iron ore a year from India's Kudremukh deposits to Iran and its fast growing steel industry. The Iranian-financed project is due to come on stream in September 1980, initially exporting 1m tons of ore.

Although primarily set up in relation to the Kudremukh project, the shipping company, jointly owned by the two countries' state lines, has become the largest carrier between the Indian subcontinent and Iran, the Admiral said. Currently 40 per cent of trade from the east coast of India to Iran is carried by Irano-Hind.

A statement following yesterday's annual general meeting in Tehran said the shipping line has earned profits from its inception, three years ago, in contrast with the heavy losses many shipping lines all over the world were incurring, as a result of the severe depression in the business.

In these three years the company has made a profit of $1.6m, most of that coming in 1976. Over 460,000 tons of cargo was carried last year, mostly cement, sugar, steel billets, jute and tea. As with most carriers to the Gulf, the most serious problem is that of return cargoes. Only 5 per cent of return sailings are not made in ballast.

Since 1976 India-Iran trade has declined, and with it the company's fortunes. The profits so far are attributed to the limited specialised scope of its work, and the political backing of the two parent countries.

However, the trend is away from exclusive dependence on this route to other destinations on the Arab side of the Gulf, and to East Africa. Already 30 per cent of the cargo goes to the Arab states and last month the company began a new run to Mombasa, in Kenya.

Following the withdrawal of Bank Lines' operations in the western part of the Indian Ocean, Irano-Hind feels itself well placed to develop cross trade between East Africa and the Gulf region. It also hopes to move into South-East Asia and the Far East.

The company owns four general cargo ships at present, with a total tonnage of 40,000 dwt. It also charters where necessary. Admiral Kishan Dev has indicated that he will be looking for second-hand ore carriers in the 50,000 to 60,000 ton range, once Government consultations and a report on the progress of Kudremukh have been completed.

Korean orders decline

SOUTH KOREAN shipyards received $116m of foreign shipbuilding orders for 19 ships during the first half of this year, according to the Commerce and Industry Ministry.

The dollar amount of orders was down sharply from $310m of a year earlier and also was the lowest first half figure in the past three years, reflecting the global slump in shipbuilding, reports AP-DJ from Seoul.

The orders included container ships, general freighters and fishing boats. Tonnage was not given.

Ministry officials were not certain if Korea would attain its ship export target of $770m this year in view of this bleak prospect.

Japan to start oil stockpiling

TOKYO, July 6.

JAPAN NATIONAL Oil Corp., formerly Japan Petroleum Development Corp., said it will hold a tender on July 18 to buy 2.50m tonnes of Middle East crude oil for stockpiling in idle tankers.

This represents half the 5m tonnes of oil worth between $400m and $500m which it plans to import under the Government's emergency import programme to reduce Japan's trade surplus.

The oil bought through the tender will be for shipment from Gulf ports in September, the corporation said. A tender for chartering 10 idle supertankers from Japanese shipowners to be used for carrying and stockpiling the crude oil will be held shortly after July 18, it added.

The Japan Shipowners Association said it is discussing detailed terms of chartering with the corporation. A tender for the remaining 2.50m tonnes will probably be held next month.

Reuter

Car imports up by 30%

TOKYO, July 6.

SALES of imported cars in Japan in June rose 30.1 per cent to 4,524 from June 1977, and compared with 4,367 in May, the Japan Automobile Importers Association said.

The June sales bring the cumulative total for the first six months of this year to 24,280, up 16.3 per cent from the same 1977 period, it said. Of the six-month total, 12,840 were small cars, mostly from West Germany, Britain, France and Italy.

Aided by a fall in retail foreign car prices due to the yen appreciation against the dollar and duty-free imports from last March, imported car sales are likely to top this year's target of 45,000, compared with 41,600 sold in 1977, it added.

Reuter

Foreign survey by Sumitomo

The headline "Survey indicates foreign discontent with Sumitomo's trading activities," which appeared on Page 5 of Wednesday's edition of the Financial Times, was inaccurate. It implied foreign discontent or disfavour with Sumitomo Corporation whereas the story was a report of the findings of a survey conducted by Sumitomo which showed foreign disatisfaction over trading with Japan.

Company shuts after 130 years

J. L. ORMEROD BROTHERS, of Haslingden, one of Lancashire's last surviving cotton warp sizing companies, will cease production next Thursday after more than 130 years. Ten workers will lose their jobs.

Although the company has plenty of orders it is unable to meet the cost of installing a new boiler plant.

Blockade closes Austria

SALZBURG, July 6.

THE AUSTRIAN Chancellor, Herr Bruno Kreisky, who arrived home from London to meet blockaded Austrian borders, says he will take steps to end the lorry drivers' protest.

In some parts of the country the situation began to ease as drivers abandoned attempts to block internal routes in response to a call from haulage industry chiefs to end the protest.

The industry leaders made their appeal after the Finance Minister, Herr Hannes Androsch, agreed to provide aid if other countries levied reprisal taxes.

But in Western Austria, the protest appeared to be growing, with reports from the Tyrol that most of the drivers involved were foreign and unlikely to heed appeals from Austrian business leaders.

Reuter

MONEY THAT SHOULD BE SPENT ON EXPANDING INDUSTRY IS BEING SPENT ON BUYING COMPANY CARS.

We're not knocking the idea of company cars.

We are, though, suggesting that it can be a waste of money to buy them, and a much better idea to lease them.

To strengthen our case still further, we'll use the Audi 100 as an example.

First, there's the benefit to your cash flow.

You need pay only three months leasing rental in advance: £765 for an Audi 100LS Automatic. That is, 35% less than the deposit on a normal H.P. scheme. And, of course, much less than outright purchase.

In other words, you're releasing money to invest in your company which would otherwise be tied up in your company cars.

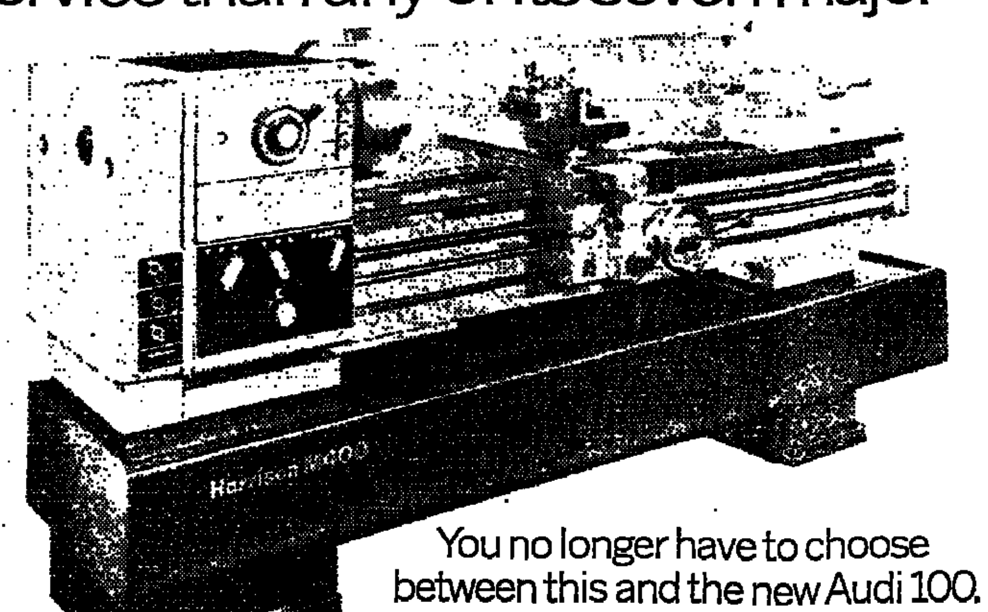
Second, there's the benefit to your tax bill.

You can set the entire cost of leasing the car against your profits liable to corporation tax. If you're making enough profit, that can add up to about £3,000 over the two year lease period.

Third, there are the benefits of the new Audi 100 itself.

The Audi 100LS can be cheaper to service than any of its seven major competitors.* And, for the last four years, an Audi has come first or second in what is probably the most comprehensive test of car reliability.†

Which suggests that your executives will spend more time expanding the company, and less time cursing the company car.



You no longer have to choose between this and the new Audi 100.

I am interested in leasing. Please send me details of the car(s) I have ticked.

Audi 80 ☐ Audi 80 Estate ☐ Audi 100 ☐ Audi 100 Avant ☐

Name________ Position________ Company________

Address________

Cut out and send the coupon to: Audi Leasing, Volkswagen (GB) Ltd., Volkswagen House, Brighton Road, Purley, Surrey. Telephone 01-668 4100.

*What Car? November 1977. †TÜV Auto Reports, 1975–78. Costs quoted above are based on Audi 100LS Automatic priced at £5560. Figure also includes 40% buyback at 24 month stage. Terms quoted subject to acceptance by our leasing company, AUF Leasing, and subject to the provisions of the Control of Hiring Order, 1977.

Labour seeks return of big-city powers

BY DAVID CHURCHILL

PLANS to return certain powers for planning, social services and education to the major cities which lost them under the 1974 Conservative local government reorganisation were unveiled by the Labour Party yesterday.

Labour's national executive committee has endorsed a policy paper outlining the immediate short-term changes to restore powers to the cities as well as more far-reaching plans for increased regional government.

The proposals would affect all cities with populations of more than 100,000 which were not given metropolitan status in the 1974 reorganisation. Leading the way are nine major cities, ranging from Bristol to Stoke and with a combined total population of more than 2.5m, followed by a further 22 cities such as Ipswich and Norwich with populations of between 100,000 and 200,000.

Under the 1974 reorganisation, responsibilities for a wide range of services formerly carried out by these cities were transferred to the new larger county authorities. The cities, mainly traditional Labour strongholds, have campaigned vigorously since then for the return of their powers on the grounds that the new authorities were too remote from the people they served.

A Cabinet committee set up by the Prime Minister earlier this year to study possible changes is almost certain to back the Labour Party proposals. These had initially been resisted by Mr. David Ennals, Social Services Secretary, and Mrs. Shirley Williams, Education Secretary, on the grounds of the potential disruption to services. But both these Ministers are believed to have been persuaded to support the party's proposals.

The proposals are due to be debated at the Labour Party conference in October, but are almost certain to form part of Labour's manifesto for the next general election. A Government statement on the changes is expected before the Parliamentary recess later this month.

School switch

Labour's proposals were roundly condemned yesterday by two of the major local authority associations which are Conservative controlled.

The Association of County Councils, whose member authorities would stand to lose most by the changes, described them as meaning "the end of local government as we have known it and a further move towards the bureaucratic stage and the weakening of democracy."

The specific changes that Labour proposes should be made immediately are for responsibility for social services, planning, highways, traffic management, libraries, consumer protection, and some others to be transferred to authorities with populations of more than 100,000 who want them and are able to carry them out.

But only the "Big Nine" cities should be given the opportunity to have responsibility again for education. These cities are Bristol, Hull, Nottingham, Leicester, Southampton, Portsmouth, Derby, Stoke and Plymouth.

In the longer-term the Labour Party would like to see a move towards more local control of all services at a district level. Such a move, however, is ruled out in the immediate future, because of the disruption so soon after the 1974 reorganisation.

Budget defeat rebates wait until November

BY DAVID FREUD

TAX REBATES consequent on Tory amendments to the Finance Bill will not be paid until November, when an estimated £300m will be injected into the economy.

The delay is caused by the large number of tax tables to be printed and circulated before the adjustments come into effect.

The amendments reduce the basic rate of income tax from 34 to 33 per cent, and raise the threshold for the higher rates from £7,000 to £8,000, with the consequent raising of other marginal rates.

Rebates from the increase in personal allowances in the Budget were paid in the middle of May, while further rebates are due next week because of introduction of the new reduced-rate 25 per cent head band of income-tax.

It takes the Inland Revenue about three months to prepare new tax tables, delivered to employers to enable them to work out their employees' PAYE.

The Budget increase in the level of personal allowances could be in introduced without new tables, since it was purely a question of adjusting individuals' codings.

The 25 per cent rate required new tables, which were begun in April and will be ready next week.

The Government accepted the Tory amendments only this week, so it will be three months at least before the revised tables incorporating them are sent out.

The 25 per cent band has multiplied the number of pages of tables by a factor of 10. Whereas last year 36 pages were required, this year the number will be 400.

This book of tables has a print order of 1.8m. and must be distributed to more than 1m employers. The Inland Revenue says it cannot complete this operation until November 9, when the changes will come into effect.

The tax rebates dating back to April 6, due for repayment on or after November 9, are estimated to total about £300m.

A married man with no children on £75 a week will receive a £9.63 rebate; on £100 a week, £17.38; and on £200 a week, £104.

The rebates due next week in the 25 per cent band will inject about £450m into the economy.

Most taxpayers will receive a lump sum of £18.17 to cover the 14 weeks since the new band was introduced. After that, weekly reduction in taxes will be £1.30.

Increased personal allowances came into effect rapidly after the Budget, in the fifth week of the tax year, so the rebates were correspondingly small.

Total rebate in the middle of May was about £50m, with £2.60 going to most married couples and £1.30 to single people.

SAFETY EQUIPMENT A KEY ASPECT

Lessons of the train fire

BY LYNTON McLAIN, INDUSTRIAL STAFF

THE DEATHS of 11 sleeping car passengers on board the 9.30 pm Penzance-to-Paddington train were the first rail deaths by fire since 1950.

On June 8 that year an express passenger train from Euston to Glasgow caught fire. Five people died in circumstances that have never been completely explained, but are known to have had a bearing on sleeping-car and other carriage design since.

The sleeping cars in the Taunton disaster yesterday are 18 years old on average. Mr. Peter Mills, Tory MP for Devon West, said last night he believed the Western Region had most of BR's second-hand engines and carriages. Many were "cast-off" from other regions, he said.

Yet even these coaches incorporate changes made to acknowledge the advance in materials science, and tighter construction regulations from the Department of Transport since 1950.

But no passenger rail cars, for sleeping or day passengers, have been fitted with even elementary smoke-detectors, despite important lessons about slow-smouldering fires in the tragedy of 1950.

Two coaches were completely destroyed in the 1950 fire, at Beattock, near Lockerbie, Scotland.

There were no witnesses to say how the fire started. A communication cord had been pulled by one of the victims in the second coach only 15 seconds before a blast of hot gases exploded into the compartment, killing the five in it and stopping the train.

Rescue work after the fire.

Unnoticed

The fire started under a seat two compartments away from where the victims were found. It had smouldered unnoticed for nearly an hour, giving off fumes, gases and eventually a slow, hot explosion.

British Rail reacted to the deaths by removing all wooden partitions in rail cars. Low-inflammability glassfibre was used for all future insulation and coaches were made, with all-steel frames and plates.

Flame-retardent materials were used for upholstery and panels, and two carbon dioxide fire extinguishers were installed at the end of each sleeping coach.

There was not other provision for firefighting equipment, BR said last night, except that the attendant responsible for each pair of sleeping cars was given a smaller extinguisher.

No smoke detectors have ever been fitted to any coaches. The materials now used for furnishing interiors are by their nature more likely to smoulder, once hot enough, than the earlier, easily inflammable materials.

It is now recognised that the *slow-smouldering, low combustion properties* of the materials in sleeping compartments and the fact that these are generally locked and shuttered at night reduce substantially the chances of smoke being detected from outside.

The lesson of Beattock, where the fire smouldered for nearly an hour before gutting two carriages, have been learnt only in part.

British Rail said last night that it was almost impossible, and certainly impracticable, to enforce no-smoking regulations in sleeping cars.

Passengers are requested not to use radios, record-players or otherwise annoy other passengers. But once they are inside the compartment, the blankets, sheets and pillows are all vulnerable to a lighted cigarette end, and smoke can billow undetected.

All sleeping compartment dors are lockable from inside, and can be opened from the outside by a universal key held by the attendant.

In emergencies "one hefty boot from outside would force the door," BR said. Opening the door from the inside in an emergency would not yield to the same pressure, as passenger can testify. Doors at the ends of sleeping cars are locked by the attendant, *a practice condemned 111 years ago by a rail inspector.*

BR said replacing old stock was a problem. It had regarded its first priority as replacement of engines, but there were still 3,000 diesel units which should have been replaced long ago.

These would probably take precedence over replacing the 18-year-old sleeping cars, in view of the railway's limited resources.

When the "Mark 3" sleeping cars are introduced they are certain to have on-board smoke detectors. These are being evaluated now, and may include advanced devices capable of distinguishing tobacco smoke from other types.

As the two rail fire accidents have shown, there are many ways in which transport by rail of sleeping passengers has not changed for years.

The public inquiry ordered yesterday by Mr. William Rodgers, the Transport Secretary, into the Taunton disaster will certainly make this clear.

Unions given chance to save Lucas jobs

BY CHRISTOPHER DUNN

LUCAS INDUSTRIES, the largest aircraft components manufacturer outside the U.S., has agreed to shelve plans to close down three factories in the North until a 14-man working party of trade unionists has had a chance to come up with alternative proposals.

The factories, one in Liverpool and two in Bradford, were to be shut by 1980, with the loss of 2,000 jobs, as part of a rationalisation and retrenchment scheme.

Lucas has offered the working party, which is backed by the Confederation of Shipbuilding and Engineering Unions, as much help as it needs to draw up new proposals.

These should be ready by the middle of September, and will be presented to a meeting of the Government, Lucas and the confederation.

The move will lead to closer contact between the company and the Lucas Aerospace shop stewards' combine, set up six years ago to devise an alternative corporate strategy as the UK aerospace industry contracted.

Nine members of the combine have been elected to the working party, and its conclusions are expected to be influenced by the combine plan. Until now, Lucas has been unable to deal directly with the combine because traditional company-union negotiating procedures would have been breached.

"We question the logic of the Lucas' moves, and we hope to save all the jobs now threatened," said Mr. Ernie Scarborow, combine secretary, last night.

"Lucas has justified closing down Liverpool on the grounds that markets for mechanical fuel systems are contracting in favour of electronic systems. But we believe there is still a lot of mechanical work to be found."

A Government offer of help to Lucas last month would still have led to the loss of about 1,000 jobs at the three factories.

Winter air holidays increased

BY MICHAEL DONNE,

BRITISH AIRWAYS is aiming for a big expansion in its package tour holidays this winter, following an 80 per cent rise over last year in its sales for the current summer.

Mr. John Holding, general manager, tours, said yesterday that he attributed this success to offering the public the right product at the right price.

"We plan to develop our share of the holiday business this winter by continuing our competitive pricing policy and by the introduction of a number of attractive innovations."

These include a new series of tours called Celebration Holidays, covering 22 resorts, in addition to the normal Sovereign and Enterprise series of holidays. The Celebration Holidays will range from seven nights in Benidorm for £110 to 14 nights in Hong Kong for £500.

New destinations to be served this winter include Crete, Tunisia, Morocco and Venice, while there will be a bigger choice of holidays to Israel.

Forklift merger boosts investment

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

THERE HAS been a substantial increase in the £6m-a-year investment programme launched after the merger of Lansing Bagnall and Henley Forklift which produced the biggest forklift trucks manufacturing group in Western Europe.

This indication that the merger has been smoothly completed comes today with publication of the accounts of the parent company, the privately-owned Kaye Organisation.

For the year to the end of April 1977, Kaye made a taxable profit of £5.25m on a turnover of £86.8m. This compared with £3.55m and £70.7m respectively in the previous year when the Henley results were not included.

The impact on Kaye's retained earnings was considerable following the acquisition of Henley in October 1976. Kaye has deducted from profits as an extraordinary items £596,000 paid to the Lancer Boss Group in settlement of the legal action brought some years ago against Henley for an alleged patent infringement.

A further £207,788 has been deducted to cover the loss on the sale of shares in Henley's South African offshoot in April 1977.

These two items reduced the retained earnings to £464,175 from £1m in the previous year.

In the year which ended in April 1978, Kaye's turnover increased to more than £100m, but the company is not yet willing to give any details of profit figures.

PRICE COMMISSION REPORT SAYS:

Electricity charges too high

BY MICHAEL LAFFERTY

A HUGE questionmark over the pricing policies of the nationalised industries was raised by the Price Commission yesterday.

Picking the small South of Scotland Electricity Board (SSEB) for its study, the commission has concluded that present accounting policies are not appropriate for setting prices.

Specifically, the commission does not accept the basis on which the SSEB charges depreciation on fixed assets for pricing purposes.

It calculates that the SSEB's efforts to recognise inflation through the addition of 40 per cent extra depreciation has had the effects of increasing costs to the South of Scotland consumer by 4 per cent in 1977-78.

This means that those electricity consumers have been charged some £17m more for their electricity in the past year than the commission seems to have thought appropriate.

For political reasons the report does not talk in such terms, but all the indications are that the Price Commission is well aware of the little bombshell it has dropped on the nationalised industries, and the electricity industry in particular.

Officially, the line is that this report is meant to be a contribution to the debate over setting operating targets for the public-sector industries.

Indeed, the Price Commission is not claiming it knows all the answers. It simply concludes that what is being done at the moment in the SSEB, and elsewhere, is not appropriate for pricing purposes.

To find the right basis for pricing in the electricity industry will need considerable further study, in the SSEB and the Government, the report states.

Central to the issue is the relevance of inflation accounting in the nationalised industries.

The SSEB, like other nationalised industries, has tackled the problem by charging 40 per cent more depreciation in working out the costs it is required by law to recover in full from its consumers—so breaking even, taking one year with another.

This method was not of its own invention but had been put forward as a suitable inflation adjustment factor for nationalised industries in the 1976 price code.

This had the effect of increasing the SSEB's estimated costs of generating electricity from £319m in 1976-77 to £387m in 1977-78, an increase of 4 per cent.

This method, comments the Price Commission, "is arbitrary and is related neither to expected replacement cost of the assets nor to realistic assets lives."

What it is saying is that the SSEB has failed to bring into account the other side of the inflation equation—the benefit the electricity board itself gets through the reduction in the real value of its debt obligations, or borrowings.

If both aspects of the matter had been taken into account, the Price Commission says there would have been no need to charge that extra 40 per cent depreciation.

In inflation accounting terms, applying the current Hyde Guidelines, it boils down to saying that since the SSEB is almost wholly debt financed it is the suppliers of the debt which have lost out.

The Price Commission does not stop there. It lists a number of other examples of accounting treatment which have, or could, affect electricity prices to varying degrees.

For a start, it seems that the SSEB has been depreciating its assets far more quickly than their actual lives—something which is said to be widespread throughout British industry — in another effort to take some account of inflation.

For example, conventional power stations are written off over 25 years, whereas they have an actual life of 35 years.

Again, the SSEB does not *capitalise* interest on assets in the course of construction; as with accelerated depreciation, *this amounts to charging present* consumers for part of later consumers' consumption.

The Price Commission quotes SSEB estimates that the effect of capitalising interest on the next nuclear power station at Torness "would be a 3 to 4 per cent reduction in costs and hence in prices during the construction period."

Perhaps the most extraordinary aspect of this report is its implication that it may not be worthwhile, financially, to build sophisticated new power stations.

This emerges from the finding that the cost of new power stations with all the latest technology appears to be far greater than the indexed cost of existing plants.

South of Scotland Electricity Board — Price increases in the supply of electricity: HMSO. House of Commons Paper 535. 80p.

City's new watchdog meets today

By Margaret Reid

THE COUNCIL for the Securities Industry, the City's new self-regulatory watchdog body set up in May to maintain the highest ethical standards in the securities markets, is to hold its second meeting today.

The council, chaired by Mr. Patrick Neill, QC, a leading commercial barrister who is Warden of All Souls College, Oxford, will consider interim reports from the several sub-committees it established when it met on May 19.

The topics being examined by the sub-committees are: new issue practice; the conduct of investment advisers; insider dealing and directors' interests; disclosure of commissions; and licensed dealers and others conducting securities business outside the Stock Exchange.

Today's meeting is in the council chamber of the Stock Exchange, since the Council for the Securities Industry has no premises yet.

French clock makes record £52,000

SALEROOM

BY ANTONY THORNCROFT

A MAGNIFICENT Louis XV ormolu bronze and Vernis Martin musical clock, supported on the back of a rhinoceros, sold for an auction record of £52,000 at Christie's yesterday. It was bought by Partridge Fine Art in a sale of French furniture and tapestries which totalled £419,010. Previous record for a French clock at auction was £34,000.

An anonymous purchaser paid £14,000 for a Louis XVI marquetry bureau cabinet by P. Denizot, and J. Lloyd, the Chester dealer, £13,000 for a Louis Philippe kingwood and tulip wood bureau, the two cupboard doors mounted with gilt metal figures of Flora and Ceres.

Newhaus, the German dealer, paid £12,000 for a Louis XV tulipwood and marquetry bureau de dame by BVRB (Bernard van Risenburgh), and an anonymous bidder £11,500 for a Louis XV tulipwood and marquetry sécrétaire, also by Risenburgh.

An illustration to the Bhagvata Purana, showing Brahma asking Krishna for forgiveness, c. 1730, sold for £4,200 in Christie's sale of Indian miniatures yesterday. It was bought privately in a sale which totalled £69,576.

An Art Nouveau poster of 1897 advertising cheap family rail tickets to Monte Carlo sold for £1,250 to an anonymous British collector at Phillips' sale of art nouveau and deco.

At Bonhams, European pictures totalled £96,595, with 10 per cent unsold. *A Hunting Scene*, ascribed H. Barraud, sold for £3,800; *Pont Aberglasym—North Wales* by John Glover fetched £2,600; and *Mischievous Children* by Charles Hunt, £2,500. Furniture aded £47,680 with a top price of £2,100 for a Regency rosewood sofa table.

Pictures from the estate of the late Anthony Morris Clark, and for the benefit of the American Academy, Rome, sold at Christie's for £91,847. Mr. Clark, a distinguished American art historian and museum director, died in Rome last November, aged 53.

Monsanto workers walk out

By Sue Cameron

NEARLY 1,000 construction workers at the Monsanto group's Seal Sands plant on Teesside walked out yesterday afternoon after another chemical leak of acrylonitrile, at the site.

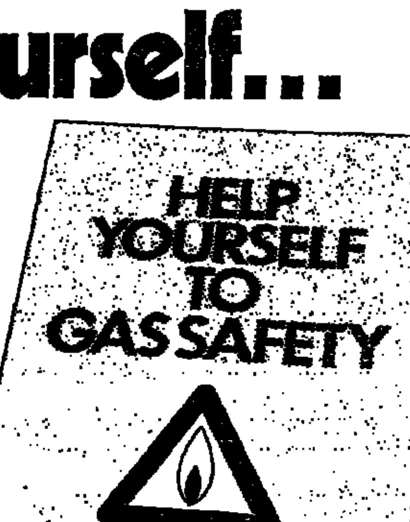
After a meeting with shop stewards, who said the alarm did not sound, the Monsanto management gave an undertaking to instal a separate alarm system on the site, and it was agreed that all the men return to work this morning.

There has been trouble over safety standards at the U.S. group's plant for three weeks.

Building workers have claimed that on several occasions they high levels of acrylonitrile. They were exposed to dangerously say that alarm systems have failed to sound during leaks of it.

In the UK the permitted level of acrylonitrile in air is 20 parts per million.

In yesterday's incident, when a safety valve blew, the level is said to have risen to 60. Two men were given medical treatment. Both were later reported fit.



Brighton ferry

A NEW high-speed ferry service between Brighton and Dieppe will start next April, based on two Boeing Jetfoil hydrofoils.

These have been ordered at a cost of £14m by a new company, Jetlink Ferries, operating out of Brighton Marina. The company is an offshoot of Jetlink Services, Dublin, formed last year to exploit the Jetfoil.

All finance has been raised privately.

Men's final promises another epic

TENNIS

BY JOHN BARRETT

A BRILLIANTLY *sustained* display of calculated aggression swept the talented Vitas Gerulaitis off the court 9—7, 6—2, 6—1 and lifted Jimmy Connors to the final of the men's singles at Wimbledon yesterday.

As predicted by the seeding committee, the men's single final at Wimbledon tomorrow will be a repeat of last year's epic, featuring the defending champion, Björn Borg, against Jimmy Connors; the European artist against the American juggernaut.

Borg will be attempting his third successive Wimbledon title; Connors, in his fourth final in five years, will be trying to re-establish himself as the world's No. 1. Connors holds an 8-5 lifetime record over the Swede, but Borg has won four of their past five meetings.

In yesterday's semi-finals, Connors display brilliantly sustained, calculated aggression to defeat the third-ranking American, Vitas Gerulaitis, 9—7, 6—2, 6—1; and Borg resisted the net-rushing challenge of the unseeded Dutchman Tom Okker, 6—4, 6—4, 6—4.

Connors took a fraction over two hours to complete the execution—but in the early stages it seemed that the match might last all day and reach the heights attained last year in that memorable semi-final between Gerulaitis and Bjorn Borg.

The first set was replete with wonderful tennis. No angles were left unexplored, master-stroke was countered with master-stroke, and for 67 minutes the Centre Court crowd roared its appreciation.

From the first ball Connors leapt into action like a greyhound coming out of its trap. Striking some incredible service returns, he broke Gerulaitis in the opening game and twice had a point for a 3—0 lead before the 23-year-old New Yorker managed to avert the threat.

Having achieved that, Gerulaitis did even better by breaking back in the sixth game and holding serve to go ahead 4—3. At this stage Connors was paying the penalty for being a little over-ambitious and in the tenth game he saved a set-point when a service return by Gerulaitis hit the top of the net and fell back. Connors promptly capitalised on his luck, winning that game with a shot which struck the tape and toppled over.

The 13th game of the set, which went to 18 points and which Connors eventually won on his sixth break point, contained more breathtaking shots than many matches have produced at this Wimbledon.

Three times Connors got to break-point, and three times he squandered the chance by striking erratic backhands. Another break point was saved by Gerulaitis's brave smash, but he was beaten eventually.

If Gerulaitis was demoralised by the setback he showed no sign, breaking back to 7—7, but just as quickly the quicksilver Connors counter-punched his way to an 8—7 lead and this time there was no comeback. Gerulaitis saved one set-point with a heavily top-spun forehand from a Connors drop shot, but on the next he lost the set when he hit a forehand too long.

Connors simply ran away with the match after that. He broke in the third and seventh games of the second set to lead 5—2 —and took it in the next game, moving like lightning on to a Geruloitis drop-shot and flicking it away for a winner.

By now Gerulaitis was on the run. Double-faults began to creep into his game, and when Connors captured service in the opening game of the final set the New Yorker thumped his racket on to the turf in anger. The next three games fell to Connors at a cost of two points and the match was as good as over.

Tom Okker, who had put out the fourth seed, Guillermo Vilas, and the ninth favourite, Ilie *Nastase, to reach the semi-finals* for the first time, kept Borg on court for two hours and ten minutes.

At first he could not live with Borg's pace. His opening serve was lost to 15 and although he fought his way to 15—40 and an advantage against Borg's serve in the sixth game, Borg, with those familiar, devastating whiplash drives, pocketed the first set after 33 minutes of play.

By then Okker was learning to move at Borg's pace, to score with some spectacular volleys, those deft drops for which he is renowned and some fierce drive volleys hit with top spin.

However, he could win only one point in the third game of the second set as another serve was captured. Borg was beginning to outwit him on the passing shots, so that it became increasingly difficult for Okker to maintain the pressure. The Dutchman saved two set points on his serve in the ninth game, but the champion held to love to clinch the second set.

Borg surged to 5—1 in the third set, serving aces now almost at will. Momentarily Okker contained the power with a run of three games, but it was a dying kick.

Borg served confidently and powerfully for the match. At the end it was clear that the two best players in the tournament would meet again with so much this time at stake for both.

HOME NEWS

Homes Organisation due to be wound up

FINANCIAL TIMES REPORTER

THE HOMES Organisation, which conducted a five-year fight to end solicitors' monopoly of conveyancing, is due to be wound up next week.

The company, which challenged the Law Society in attempting to spread do-it-yourself conveyancing, is to hold a creditors' meeting on Tuesday.

Mr. John Watson, a director of the Homes Organisation, said yesterday that no-one who had lodged deposits with the company would lose any money.

The main creditors will be Mr. Watson's bankers and the Inland Revenue. Yesterday he blamed the collapse of the company on the fight with the Law Society.

"I have had to spend so much time in court and in preparing cases that I have not been able to give some aspects of the business the attention they should have," Mr. Watson said.

"I intend to stay in this business—it is possible to close one company and start another.

"No client is going to lose money, as we have a separate deposits account. Clients' deposits will go forward as part of their purchase price. I guarantee that they will all get their money back if they are entitled to it, that is, if any sales are called off.

"There is nothing for anyone to worry about. The transactions in progress will go on. There is in excess of £5,000 in the clients' account and we usually ask for £100 to £200, so you can work out how many cases are involved."

Mr. Geoffrey Grant, secretary of the South East London Law Society, commented: "Any person who pays a deposit to an agent is entitled to withdraw it at any time prior to exchange of contracts. The position after exchange is governed by the terms of the contract.

"I know of two people who have each paid £100 deposit to Homes. The solicitors have asked Homes to return the deposits but they were told that this could not be done without the consent of the vendors' solicitors.

"These solicitors then wrote and asked them to return the money but in neither case has it yet been returned."

Housing improvement maintained in May

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

THE MORE encouraging picture in house-building was maintained in May, according to Government figures yesterday.

The Department of the Environment said that total housing starts in the month reached 24,900, slightly down on the April figure of 25,400.

The number of public-sector homes on which work began in May reached 11,200 against 10,700 in the previous month, while a start was made on 13,700 in the private sector.

In the March-May period total starts in housing were 5 per cent up on the previous quarter and 1 per cent higher than in that period last year.

Public-sector starts in the latest quarter showed a 2 per cent drop from the previous three months and were 12 per cent down on a year earlier.

Starts in the private sector between March and the end of May were 10 per cent up on the preceding quarter and 12 per cent up on that period last year.

On completions, 23,900 homes were finished by contractors in the month against 22,600 in April. Public-sector homes completed rose from 10,400 to 11,500, while 12,400 private homes were finished, a marginal 200 increase.

● Details of a big increase in co-operative housing activity over the last year were announced yesterday by the Co-operative Housing Agency.

The agency, part of the Housing Corporation, says there are 161 groups actively pursuing co-operative ownerships and management of their housing, an increase of 56 per cent on a year ago. In addition, 17 local authorities and 31 housing associations are assisting the development of co-operative housing, either on their own estates or else by helping groups to develop their own schemes.

So far, however, only eight housing co-operatives have managed to accommodate all their members in co-operatively owned housing and a further 25 are able to house some of their members. Overall, groups report a total membership of more than 8,400, double the number of a year ago.

Travellers' cheque plan may cause Visa row

By Michael Blanden

AN ARGUMENT could develop within the Visa International credit card organisation over plans to introduce a new worldwide travellers' cheque under the Visa banner.

The plan was announced yesterday by Visa, which includes Barclaycard in the UK.

Visa has sent invitations to thousands of financial institutions in 47 countries. They are being asked to join so-called "charter groups," which would make final decisions leading to the introduction next year of a Visa travellers' cheque.

The move would bring members into direct competition with leading groups such as American Express. It comes after the recent announcement by the rival Mastercharge organisation, which includes Access as an affiliate in the UK, of plans to issue a new dollar travellers' cheque.

Conflicts could arise, however, between those banks such as Barclays, which already issue their own travellers' cheques, and other members of the Visa organisation which could benefit significantly from the opportunity to offer cheques under the Visa name.

Mr. Dee Hock, Vist president, said from California yesterday that the programme had been approved by the Visa Board, which includes representatives from leading countries, including Barclays for the UK.

However, Barclays said that its own understanding was that no board agreement had been made for anything more than a feasibility study on the issuing of travellers' cheques

Fair Trading purge on 'rogue' garages

BY TERRY DODSWORTH

SANCTIONS AGAINST car dealers who bend the law are to be applied more strictly by the Office of Fair Trading after a survey of the industry.

The office intends to pursue complaints against dealers more vigorously than in the past and is expected to concentrate its activities in that area in the next few months.

Action will be taken against persistent offenders on two fronts. The office can withhold, suspend or revoke Consumer Credit Act licences, which are the basis for arranging hire purchase. It can also demand assurances of good behaviour, with the sanction of court action if the promise is broken.

Both sanctions have been used before. About 27 dealers have been forced to give assurances in the past two years and 10 have had credit licences refused.

What the office is now proposing, however, is to enforce that administrative action much more aggressively. Professor Gordon Borrie, the Director-General of Fair Trading, is convinced that a significant minority of dealers is consistently cheating the public.

Such garages, he said yesterday, "botch" repairs, sell unroadworthy cars, use tricks to disguise serious faults and turn back milometers to give false readings.

"These unsavoury firms represent a minority of the trade and yet cause a substantial majority of the car complaints notified to my office." Complaints against dealers amounted to almost 60,000 in 1977, of which about two-thirds were reckoned to be against used-car businesses.

Unit trusts boosted by Far East

By Adrienne Gleeson

BECAUSE OF the strength of the Far Eastern markets this year, unit trusts invested in that part of the world dominate the performance tables for recent months.

Figures published this week by the magazine Planned Savings show that eight of the 10 top performing funds in the first half of this year have been substantially invested in the Far East.

The best performance has been by Gartmore Far Eastern, the value of units in the runners-up, creased by 56.7 per cent since the beginning of the year. The value of units in the runners up, M and G/Far Eastern, Allied Hambro Pacific, and GT Japan and General, has increased by about half.

Over the same period the British stock market has been in the doldrums, with the FT All-Share index virtually unchanged, and the Industrial Ordinary Index down by 3.3 per cent.

Outperformed

Most unit trusts have, however, comfortably outperformed the indices in the first six months of this year. Only 33 of the 357 trusts monitored did less well than the FT Industrial Ordinary Index. Almost a third of those were high-income funds, whose freedom of manoeuvre at a time of dull or sluggish markets is severely restricted by their income requirements.

Over the longer term, however, it is the income funds that have put up the most impressive performance in capital terms. Income funds hold four of the top 10 places for performance over six years. Almost all the income funds have outperformed the FT Industrial Index over one-, seven- and 10-year terms.

Pyramids cancellation may cost Lloyd's $9m.

BY JOHN MOORE

LLOYD'S of London might face a claim of $9m (£4.8m) arising from the cancellation nearly two months ago of the $500m Pyramids Oasis project, Egypt's largest planned tourist development.

Two Saudi Arabian princes, Nawaf bin Abdel Aziz and his brother Fawaz, both main equity participants in the project company, Southern Pacific Properties, hold "political risks" cover at Lloyd's on the scheme. That insures them for the physical loss of the insured property by confiscation or expropriation.

The Pyramids Oasis tourist residential resort, near the pyramid of Mycerinus at Giza, was being built by the Egyptian Development Company, a joint-venture concern in which the Egyptian Government, through the Egyptian General Organisation for Tourism and Hotels, held 40 per cent participation. The rest was held by Southern Pacific Properties (Middle East), a subsidiary of the Hong Kong-based company Southern Pacific Properties.

The project was halted when the Government decided that the Giza pyramids should be kept free of tourism and preserved as historic monuments. So far about $7m has been spent on developing the area's infrastructure.

Aston Martin Lagonda in profit by £395,000

THE NEW company that emerged from the collapse of Aston Martin, the specialist car group, about two years ago made an pre-tax profit last year of £395,000.

Turnover of the company, renamed Aston Martin Lagonda 1975, came out at £4.8m, covering a 21-month period since the rescue by two North American businessmen, Mr. Peter Sprague and Mr. George Minden.

The factory produces the V8 models and the new Lagonda.

Announcing the results last night, Mr. Alan Curtis, managing director, said it was back in full production and financially stable.

Rising sales boost wine trade hopes

BY KENNETH GOODING

THE WINE trade seems to be well out of recession and prospects for 1978 are bright. The trend is confirmed by statistics from the Wine and Spirit Association.

These show that in the year to April 30 sales, measured by clearances from bond, have risen by 2.1 per cent to nearly 84m gallons.

... month was up 38.7 per cent to 6.8m gallons compared with the same month last year. A better indication of the real trend is the comparison between April this year and April 1976.

"An extra 2m bottles of wine went into circulation in April this year compared with April 1976. For a population of 55m that is very little, but it gives a good indication of the upward trend in the market," said Mr. Vincent Larvan, deputy chairman of the Wine and Spirit Association.

"If this can be continued and, if possible, improved, the trade prospects for 1978 are extremely good indeed."

In his Budget estimates the Chancellor was looking for a 16 per cent increase in wine sales this financial year. The traders believe something under 10 per cent is more likely.

More information from Treasury forecasts sought

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

AN ATTEMPT will be made in the Commons next week to require the Treasury to publish much more information about its forecasts of the economy.

Dr. Jeremy Bray, Labour MP for Motherwell, has tabled an amendment for consideration during next week's report stage of the Finance Bill.

The aim is to require the Government both to publish fuller short-term forecasts of its own, including projections of unemployment, and to make much more background data available to outsiders using the Treasury's computerised model of the economy.

This would permit proper and fair comparisons to be made between the forecasts on alternative assumptions prepared by economic consultants and academics and the projections published by the Government.

The amendment could prove embarrassing for the Treasury, which has so far responded cautiously to moves for greater openness about its forecasts, notably those initiated by Dr. Bray himself in a successful amendment to the Industry Act, 1975.

This Act forced the Treasury to publish forecasts twice a year, not just annually, to include inflation projections, and to allow outsiders to use the formal Whitehall model of the economy.

A number of economic consultants have been publishing such forecasts regularly.

However, Dr. Bray feels that the full spirit of his earlier move to open up the whole Whitehall forecasting process has not been implemented, as like-for-like comparisons cannot be made.

The latest proposal is intended to remedy this position by, for example, insisting that exchange rate and interest rate assumptions shall be fully specified.

A similar amendment was proposed last year but was not called for debate by the Speaker. The fate of the proposal this year is still in the balance and will be decided on Tuesday.

The attitude of the major parties is not yet clear, though the original Industry Act amendment was backed by the Conservatives and rebel Tribune Group Labour MPs against the Government.

If the amendment is passed, the Treasury will be required to publish detailed economic projections three times a year, rather than twice, and these would look two years ahead, rather than 18 months.

The tables would also be more detailed and reflect both a current and constant price basis.

A problem at present is that outsiders have to work out a large number of variables as basic data before even starting to carry out the formal forecast.

Dr. Bray's amendment will ensure that those forecasts which the Treasury publishes are in sufficient detail to permit reasonable comparability.

Support for chemical planning committees

BY SUE CAMERON

A CONTROVERSIAL scheme for setting up joint planning and development committees throughout the chemical industry has been accepted by employers and trade unionists.

The scheme has been the subject of protracted and sometimes hostile discussion for two years, but this week the manpower sub-committee of the Chemical Industry Economic Development Committee reached agreement on a report calling for the establishment of joint plant-level committees.

The report and its accompanying statement have already been accepted by the full economic development committee.

It is understood that there was also disagreement over whether or not non-trades unionists should be allowed to sit on the committees as workforce representatives.

The report's recommendations are not binding on individual chemical companies and there is still a possibility that one or two may decide to ignore them.

Union representatives say they regard the joint committee scheme as a plank in the chemical industry's overall industrial strategy. Some say they would even be prepared to call for Government sanctions against any company which refused to implement the report's proposals.

NEDO chief's plea for continuity

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A STRONG PLEA for the Government's industrial strategy to be continued without interruption through the coming general election campaign was issued yesterday by Mr. Geoffrey Chandler, the new director general of the National Economic Development Office.

The office is responsible for running the strategy's sector working parties covering 40 areas of industry. Yesterday, in his first speech since he took on his now job, Mr. Chandler set out both to confound critics of the exercise and to allay fears that some form of "corporate state" was involved.

He told a scientific instrument manufacturers' lunch in London that a corporate state system "in which Government bosses, management bosses and union bosses ordain affairs for their own ends at the expense of the ordinary citizen would be repugnant indeed."

He believed there was "no foundation" for fears that the industrial strategy involved such a development because it did not absolve Governments, managements and unions from carrying out their traditional roles.

A tripartite style of institution was not a partisan issue and had been long established. "Its application has been sharpened by the approach to an industrial strategy and is proving a technique for tackling our problems which we cannot afford to jeopardise. Continuity for industry is essential," said Mr. Chandler in a bid to ward off any risk that a future Conservative Government might stop the strategy's work.

He said there was a danger that the strategy "could become involved in the electoral battle which will shortly surround us."

In recent years Governments had "been to blame for shifting and inconsistent industrial policies" when they should have been setting the necessary stable conditions for industrial growth and a reverse of the country's decline.

But the industrial strategy work had shown that stable Government policies alone would not cause industrial performance to change. "The appropriate framework must be matched by appropriate effort from within industry itself if we are really to reverse the trend," said Mr. Chandler. Progress would be slow and there was a risk that "people may tire of something that by its very nature cannot bring dramatic results."

● In order to increase knowledge about the industrial strategy, the Department of Industry yesterday started a monthly supplement in its weekly magazine, Trade and Industry, dealing with developments. This month's feature reports that the industrial trucks sector of industry contributed some £230m (at 1975 prices) to Britain's balance of payments from 1970-75.

New sea safety laws agreed by 72 nations

BY PAUL TAYLOR

THE LAST major gap in international marine safety legislation was closed yesterday when delegates from 72 nations agreed the text of a new convention laying down the minimum standards for the training and certification of ships' crews.

Although the regulations contained in the latest Inter-Governmental Marine Consultative Organisation convention fall short of those already in operation in many Western nations, international agreement on minimum standards is seen by the Organisation, the UN's marine body, as an important step for marine safety.

Details of the regulations will be published today after delegates have signed the convention.

The only significant area of disagreement between delegates throughout the conference was over the range of the regulations and the speed with which they should be introduced.

This problem was recognised by Mr. Stanley Clinton Davis, Under-Secretary for Trade, when he opened the conference and warned delegates not to set standards so high that some nations would not be able to meet them. He called for "strong and worthwhile rules which are acceptable to all."

While there has been no clear division of view between the developed and emerging nations, to some extent the Western nations have had to accept a slower pace and fewer compulsory regulations than they might otherwise have hoped for.

This was illustrated yesterday when a move by the Dutch to speed up ratification was defeated. The conventions can take more than six years to come into operation because of delays in member states signing.

LABOUR NEWS

Abolition of piecework at Westland expected

BY NICK GARNETT, LABOUR STAFF

UNIONS are expected to agree to the scrapping of piecework which Westland Aircraft blames for jeopardising the future of its helicopter manufacturing business.

Senior shop stewards at the company's Yeovil helicopter subsidiary decided to recommend a new pay offer geared to the abolition of piecework, following eight hours of negotiations in London.

The new offer, which union officials believe is a considerable improvement on the company's previous position will be put to a meeting of all shop stewards and to the company's 2,000 manual workers.

It does, however, appear to involve some reduction in average earnings and a greater degree of uncertainty on wage levels.

Shop stewards warned yesterday, that the wrangle over the piecework system had seriously worsened management workforce relations which the unions say is one of the major problems facing the company.

Westland, which told stewards that it was on the point of sending out formal dismissal notices to the workforce, maintains that the piece-work system has become too costly to operate in terms of earnings and had affected the morale of white collar staff by seriously eroding differentials.

Its response had been to propose a change in the way wages were based which would have resulted in a cut in average earnings from £97 to about £84. Improvements in holiday entitlement, sick pay and pension provisions were included.

The original offer linked to the scrapping of piece-work involved a basic rate of £71, a £10 supplement and £3.50 for productivity.

The new offer which would run from October involves a new flat rate of £88 on which overtime and shift payments will be based. Up to a further 10 per cent on basic rates could be added if production targets are met. Average earnings would be about £94.

The company has always maintained that the rising wage bill at Yeovil has not been matched by increased productivity. At the centre of the problem was a Ministry of Defence contract to produce Lynx helicopters for the French and British forces. The contract contained fixed elements which have been overtaken by inflation.

More talks in Press Association pay dispute

By Our Labour Staff

AN emergency meeting of representatives of the National Union of Journalists will take place today over a pay dispute which has been disrupting distribution of news from the Press Association for two weeks.

The meeting of the National Newspapers and News Agencies Industrial Council of the NUJ will take place as talks are resumed between management and representatives of 240 PA journalists in an attempt to find a settlement to the dispute.

Sanctions involving a "withdrawal of goodwill and flexibility" are continuing to affect in particular PA sports coverage to newspapers, radio and television throughout the country.

The journalists intensified their action last Friday in support of a claim for pay parity with other Fleet Street journalists.

The management has previously rejected their demand as being in breach of the Government's pay guidelines but has offered a 10 per cent increase and consideration of a productivity deal.

● Forty journalists employed by Trident Group printers in South London voted yesterday to continue their strike over the relaunching of the Richmond Herald weekly newspaper as a free sheet.

Members of the NUJ employed on the Surrey Comet and the Middlesex Chronicle as well as the Herald have agreed to the change to free distribution but are fighting to preserve the paper's editorial content.

They are demanding that the original complement of eight journalists should be maintained but management has insisted on a maximum of five with the remainder deployed to other newspapers in the group to continue training.

Telephones row hits international calls

BY ALAN PIKE, LABOUR CORRESPONDENT

LONDON'S INTERNATIONAL telephone exchanges were hit the Post Office engineers' dispute yesterday when 1,400 staff staged a 24-hour strike.

Engineers at the exchanges walked out when 18 colleagues were sent home for refusing to connect new lines to Saudi Arabia as part of the Post Office Engineering Union's campaign for a shorter working week.

The Post Office said that the walk-out caused some congestion on lines to the U.S. and Europe.

The engineers will return to work today, but men at the Edgware international exchange are threatening to end shift working until the 18 are reinstated. This would probably cause further disruption.

Another 1,500 engineers in the Kingston area of London stopped work for the day yesterday when a colleague was sent home for refusing to connect an outside broadcast line to Sandown Park racecourse.

Other union members in Liverpool stopped work in support of colleagues disciplined for refusing to work normally.

Action has been staged by the union in support of its claim since last November, but was stepped up this week.

On Tuesday, 30,000 engineers in London are staging a half-day strike and demonstration.

Print union orders new inquiry into finances

BY OUR LABOUR CORRESPONDENT

MEMBERS OF the print union NATSOPA were told yesterday that delegates to its conference last month had not been prepared to accept the union's balance sheet and financial statements in their present form.

Leaders of NATSOPA, the National Society of Operative Printers, Graphical and Media Personnel, have undertaken to recall the conference when a solicitor's report on financial matters is complete.

In the conference report published in the NATSOPA journal yesterday members are told that conference delegates had instructed the executive to appoint a fresh, independent firm of chartered accountants to conduct a complete audit and prepare another balance sheet and financial statement in full and detailed form.

The delegates are demanding details of all investments, itemisation of all properties owned or leased by the union, tables of income and expenditure of its Rottingdean Memorial Home accounts, and a table of the staff and officers' superannuation fund.

Delegates have also called for separate reports giving details of sales of investments and properties over the last ten years, "including an assessment as full as can be made of those sales or dealings that were carried out outside of the normal society procedures;" Swiss bank accounts or any other similar investments; all companies set up through the union or by any officers in their own authority, whether they be dissolved or current companies;" and details of purchase of Krugerrands, gold sovereigns or medallions.

Members are told that once these steps have been completed the conference will consider any indemnities that may have been granted by the union's executive. It will also consider, subject to advice, whether "any person should be dealt with under our rules or through civil action in respect of the administration of our funds or properties."

Benefit offices strike 'may cause hardship'

By Our Labour Staff

MR. ALBERT BOOTH, Employment Secretary, said yesterday that he could not guarantee that some benefit claimants would not suffer hardship during the strike planned for next week by the Civil and Public Services Association in selected benefit offices.

The strike has been called in some of the offices involved in a pilot scheme to pay benefits fortnightly rather than weekly, a system the union opposes.

In a written Parliamentary answer, Mr. Booth said that the union had rejected his request for co-operation in making arrangements to minimise the risk of hardship to claimants.

Bakers' dispute may end

BY OUR GLASGOW CORRESPONDENT

TALKS IN Glasgow today seem likely to end a two months' dispute between 6,000 Scottish bakers and their employers which has caused weekend bread shortages.

The talks were arranged after the two main bread groups, Allied Bakeries and Ranks Hovis McDougall, abandoned the stand taken by the Scottish Bakers Federation against a productivity deal sought by the Union of Shop, Distributive and Allied Workers' baking section.

The union's national committee has agreed to impose an official overtime ban throughout Scotland from July 16 after a ballot of members indicated overwhelming support for industrial action.

Bakers at the three main Glasgow and Ayr bakeries have been operating an unofficial overtime ban since May.

However, Mr. Alex Mackie, the union's national officer, said yesterday that he did not see any problem in reaching a settlement today with the major employers.

They are likely to agree to consolidate £4 of an existing £6 pay supplement into the bakers' wages so that they can benefit more from increased overtime which has become necessary since Spillers pulled out of bread baking.

● NEWS ANALYSIS — CHRYSLER

Desperate initiative

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

NEW MOVES will be made today to resolve the two strikes which have halted all Chrysler car assembly and made more than 8,000 workers idle.

At Linwood, Scotland, where 550 painters are on strike over rest periods, the Advisory, Conciliation and Arbitration Service will bring both sides together today in an effort to break the deadlock.

The dispute arose out of management efforts to improve the plant's productivity. Production of the Avenger and Sunbeam models has been halted for more than a week.

Leaders of the 350 Coventry toolmakers, who walked out in pursuit of improved differentials, will meet Government Ministers in London today.

They will make a joint approach with management to see whether a way can be found to meet their demands within the existing 10 per cent pay guidelines.

This initiative follows eight hours of talks with the company led by Mr. Terry Duffy, president-elect of the Amalgamated Union of Engineering Workers.

Mr. Duffy had hoped that the toolmakers could put their case direct to Mr. Eric Varley, the Industry Secretary, and Mr. Albert Booth, the Employment Secretary.

However, to get an early meeting the deputation will see the Ministers of State at the two departments, Mr. Alan Williams and Mr. Harold Walker.

It is difficult to see how an exception can be made for Chrysler toolmakers without encouraging many more "special cases."

However, Mr. Duffy argues that the company should be allowed to honour a commitment to the toolmakers in July 1974 that their differentials would not be eroded. He maintains that the undertaking pre-dates any subsequent pay regulations, and notes that the Chrysler men have pursued the issue through the official union and company machinery.

Chrysler is sympathetic to the toolmakers' claim, but in any meeting with Ministers is likely to point out that the skilled men cannot be dealt with in isolation.

The company would be equally sympathetic to other groups of workers who have suffered through pay restraint. Chrysler must abide by Government pay policy if it is to receive its allocation of State finance.

The Minister seems likely to tell Mr. Duffy and the company that the toolmakers' question is purely a domestic matter.

In that case, the length of the dispute will depend upon whether the rank-and-file toolmakers are prepared to continue the fight. There are murmurs of unrest among strikers who feel they cannot take on the Government.

Efforts will be made by management and union officials to find a form of words that will enable the toolmakers to return to work so that their case can be dealt with in the next round of pay negotiations.

Any concessions made to the toolmakers at this stage would undoubtedly lead to claims from other groups of workers. Chrysler has travelled this path before.

Against such a background it will obviously be difficult to meet the aspirations of the toolmakers and retain harmony within the plant. But Chrysler is conscious that it must increase productivity and ensure continuity of production if the company is to become viable.

The Property Market

BY JOHN BRENNAN

Samuel plan stalled

SAMUEL PROPERTIES has lost a critical round in the battle for St. Albans town centre.

At a committee meeting lasting until 1.45 am on Thursday morning, St. Albans City and District Council recognised fierce local opposition to Samuel's £15m redevelopment proposals for the central Chequer Street site. The committee deferred a decision on the plan until the end of July, and agreed to look again at the four other development proposals now on hand.

The Samuel scheme, financed by Standard Life, was to have been finally sanctioned at Wednesday night's meeting. But local opposition to the 266,000 square foot shopping development—focused by the Chequer Street Action Group which organised a mass protest outside the Council's offices during the meeting—has forced the Council to think again.

In a statement issued after the meeting John Jeffrey, the District Secretary, met criticisms of Samuel's plan to use the Birmingham builders Bryant Holdings by requiring the developer to arrange a two-tier tendering procedure for the construction "should the work proceed."

Mr. Jeffrey also told the waiting crowd that, "in view of disquiet about the size of the scheme and in the light of certain other outline proposals before them" the working party proposed that the Council appoint an outside consultant recommended by the Department of the Environment, "to carry out a check on the scheme with particular regard to its overall size."

The working party also asked Samuel to mount public exhibitions of its scheme, and to give the public the opportunity, "to comment constructively" on the plans.

Rather more depressingly for Samuel, Mr. Jeffrey also said that the working party was to ask Council officers, "to look into ways of assessing the alternative schemes," and to report on these by the next full Council meeting on July 26.

The four other schemes before the council include a project put forward by the St. Albans Civic Society, which would preserve buildings in the Chequer Street area and significantly reduce the amount of new shopping space to be built.

Sainsbury has approached the Council, saying that it is keen to be involved in any central area development. But the group has not yet submitted plans for any specific alternative scheme.

Fine Fare, has also come forward with ideas for a redevelopment scheme. And Tesco, which views Samuel's plans as, "old fashioned," and too large not to have a serious effect upon existing smaller shops in the town, has drawn up plans for a 200,000 square foot scheme which it submitted to the council in May.

Tesco's scheme allows for one of its own stores and up to 100,000 square foot for another department store along with a 600 space car park. Like the other alternative plans, Tesco would retain most of the existing centre buildings, and ditch Samuel's idea for additional shop units.

Chequer Street protestors besiege St. Albans town hall on Wednesday night.

Hillier Parker May and Rowden, the St. Albans Council's property consultants for the past 18 years, have been put in a rather embarassing position, by the council's latest move. Hillier Parker has faced very vocal local criticism of its advice on the Samuel scheme in recent weeks. And it now has to accept the Council's decision to call in a DoE recommended consultant to give a second opinion on the scheme.

The Chequer Street Action Group is delighted that the council has decided not to, "bulldoze" the Samuel scheme through. But its opposition to the plan has not stopped.

Mr. Victor Goodhew, MP for St. Albans, is pressing for a full public enquiry on the scheme. And his representations to Peter Shore, the Environment Secretary, resulted in the unusual public statement earlier this week when the Minister noted local opposition, but made it clear that any decision on the development was the responsibility of the local authority.

St. Albans Councillor Michael Noar recently failed in his attempt to get an extraordinary audit carried out on the Council. But he has now taken his complaints about the way in which the Samuel scheme came to be the Council's principle development plan to the local government ombudsman.

Scottish growth

PROFESSOR DONALD MACKAY forecasts a 15 per cent increase in manufacturing investment in Scotland in 1978. But in his latest report on Scotland's industrial property market, published this week, the professor's team in the Planning Economic Industrial Development Advisers group warns that Scottish businesses have been pessimistic about the future level of investment in buildings, preferring to invest in "capital-deepening" areas, such as labour saving new plant and machinery.

The Advisers' report provides the base for Edinburgh agents Kenneth Ryden and Partners' July review of Scottish property, and although Professor MacKay's comments on local industry's reluctance to move to new buildings sounds a warning note about long term letting demand, the review shows an active industrial market with most private developments aimed at warehouse users in the fast expanding distribution trades, and the bulk of new industrial schemes coming under the wing of Government or local authority agencies led by the Scottish Development Agency, the New Town Authorities, and Regional Authorities.

In the first review to incorporate public as well as private developments Ryden shows that there is 266,500 sq ft of industrial space under construction or standing empty in the Lothian region with a further 665,000 sq ft that could readily be developed. Lothian rents range from £1.50 to £1.75 a sq ft.

In Strathclyde there is now 2.1m sq ft of empty space at asking rents ranging around £1.20 a sq ft and the comparable figures for the Grampian region including Aberdeen are 403,000 sq ft at up to £2 a sq ft, the peak rent being asked at Slough Estates, Dyce, Wellheads estate. Tayside has 128,000 sq ft vacant in the £1.20 to £1.35 range and there is 230,400 sq ft available in the Fife Region at similar rents.

Looking at the office market, Ryden's figures suggest an annual letting rate of 250,000 sq ft a year in Edinburgh, despite the absence of Government demand. Against that the firm calculates that there is 894,000 sq ft of available offices in the city, 640,000 sq ft of which is now standing completed and empty. The creation of a Scottish Assembly could generate new demand for larger units, but in the meantime letting agents are tending to sub-dividing buildings to draw in smaller space users. Because of the space overhang Ryden doubts if there will be any rental growth in the city in the next two years.

The firm is more enthusiastic about the Glasgow office market, where a space shortage is forcing rents upwards. Now that the 62,800 sq ft Lomond House in George Square has been taken by the City Council at around £3.75 a sq ft there are few sizable units on the market, and Ryden expects City centre rents to pull off their current £4 a sq ft plateau this year.

In Brief . . .

THREE surveying firms have joined the rush to the United States in recent weeks. Keith Cardale Groves has now joined Jones Lang Wootton as a British representative in downtown Los Angeles. The firm has taken over the Brentwood based realtors Brisban and Associates. Leavers has also made its first move westwards by forming an association with the Chicago firm of McKey and Poague Inc., a real estate firm in business in the city since 1890. Rather farther South there are signs that Richard Ellis is about to open another U.S. office. But in that move the firm looks set to move into an established property management role.

●

SO MANY surveying firms now boast their own computer that it is necessary to distinguish between a fully fledged system and the glorified adding machines used by most firms. Drivers Jonas is the latest firm to join the very narrow inner circle of full computer owners.

There are no full time computer men on staff—Jones Lang Wootton's far larger ICL system requires a six man team to look after it, as well as 9 data control people—and with its existing Hewlett Packard Access hardware DJ has scope to expand ten fold its current 40m 'bytes' (characters) store, the equivalent of 24,000 close typed sheets of A4 paper.

An early fruit of DJ's system is a report on the industrial property market in East Anglia. Total available space has increased by 31 per cent to 1.56m sq. ft. since May 1978, with a further 157,000 sq. ft. under construction, 63 per cent of completed and vacant space is modern. Lettings or sales in that period took 344,400 sq. ft. off the market.

The computer has also chattered out DJ's monthly review of office floorspace in Mayfair and St. James this week, and the figures confirm the continued sluggishness of the market in the summer months. Office space available rose by 10 per cent in the month to July 1st to 338,640 sq. ft. in 110 units, 78,734 sq. ft. of which is air conditioned space. Lettings in the month dipped by 7 per cent to 46,283 sq. ft., the lowest letting rate for 19 months.

Debenham Tewson and Chinnock has been transferring its City of London floorspace review onto its Hewlett Packard system in recent weeks and its first computer runs of available space show 2.59m sq. ft. of vacant offices in the EC 1 to 4 postal districts at the end of June. Around ½m sq. ft. of offices came onto the market in the month, balanced by a letting figure of just over ½m sq. ft.

East Anglia—vacant industrial space

	1.3.78	1.6.78	CHANGE	%CHANGE
North Essex	353,033	296,674 (42)*	− 56,339	−15.96
Suffolk	498,918	604,362 (46)*	+105,444	−21.1
Norfolk	337,736	663,085 (39)*	+325,349	+96.33
TOTAL	1,189,787	1,564,121 (127)*	+374,334	+31.5

*Number of units.

INDUSTRIAL AND BUSINESS PROPERTY

PROPERTY DEALS

High rents from small tenants

RICHARD UPTON, managing director and half owner of the private development and trading group Ashville Properties, has to turn away inquiries from small firms adding up to hundreds of thousands of sq ft of industrial space every year. He feels that institutions, and Government agencies, should do far more to assist smaller firms by providing industrial accommodation in units in the 5,000 sq ft range. Funds are less interested in the significantly higher rents obtainable on smaller units than in the additional management problems. And although there are advanced factory "nursery units" built by Government bodies in the development areas, and a few local authorities have stepped in between smaller tenants and institutional head leaseholders to provide a solid covenant for small factory developments, Mr. Upton doubts if these schemes even scratch the surface of demand for such units in the South East.

As a developer trader, Ashville itself has to follow the fashions of institutional demand, and so there are no immediate plans for a rash of Ashville funded small factory developments.

Back in its mainstream business, the group has just pre-let and forward sold its 27 acre 120,000 sq ft warehouse scheme at Runcorn, Cheshire by the M56 Motorway. Allied Breweries Pension Trust, advised by Debenham Tewson and Chinnocks, has paid around £1.5m for the warehousing, which will be occupied by Butlers Warehousing Distribution on completion in October 1979. Leonard Green acted for Ashville, Mason Owen and Partners are and sole agents for the site, where another 40,000 sq ft of speculative units will be completed by next spring available at around £1.30 a square foot. The site also has planning permission for another 250,000 sq ft of industrial space.

●

SMITH MELZACK has proved the rental strength of the smaller tenant this week by letting one of the remaining vacant units on the privately owned Penfold Works estate at Imperial Way, Watford, for £3 a sq ft. The 100,000-sq-ft industrial estate was acquired from British Steel four years ago, and after refurbishment work the private developer now has 18 occupied units rented on minimum 15-year leases with three yearly reviews at rents rising from £2 a sq ft to the £3 achieved on a 3,000-sq-ft unit this week. Two 4,500-sq-ft units are left, at £3 a sq ft, and both are now under offer.

●

IN ANOTHER couple of months it will be possible to get an impression of the full scale of the Town and City/Prudential developments at Market Place and Market Street, Manchester, when the pedestrian bridge over Corporation Street which links the two projects is completed.

The five office blocks of the Market Place centre are now completed. National Employers Mutual is the first major tenant in the development which was started by T and C's subsidiary Central and District. The insurer has renamed the 12,960 square foot Cobden House NEM House, and joint agents Healey and Baker and Isaac Neild of Manchester has accepted £2.75 a square foot for a standard 25-year lease on the block.

The only other letting so far in the 196,000 square feet of offices is a 2,500 square foot suite in the 24,140 square foot Macintosh House let at the scheme's general asking rent of £3.25 a square foot to the Ford Motor Credit Company.

One argument for the remaining space—34,550 square feet in Adamson House 97,110 square feet in Fairbairn House and 28,000 square feet in Royce House — is car parking space allowing one car for every 2,000 square feet.

The agents, and the agents for the 1m square feet of shopping in the adjoining Arndale Centre in the Market Street development, Hillier Parker May and Rowden, are not yet taking rents for the 200,000 square feet Arndale office tower there which is due for completion by next year. But the design of the fully air conditioned block suggests an asking rent far ahead of the £3.25 a square foot for the spartan finish of the completed office blocks.

●

FIERCE institutional competition for prime industrial and shop investments in the £½m to £1m range is forcing funds to look again at the secondary office market.

In Leeds, M. and G. Trust (Assurance) has just paid £690,000 for the 14,000 square foot Vicar Lane House in Templar Street, by an 80,000 square foot shop and office project whose Stonegate group recently won the development role. The deal will show M. and G. an initial yield of over 8 per cent. And Keith Cardale, Groves, who introduced the offices to the fund, feel that with well covenanted property of this sort still on the market, institutions are bound to come around to the view that forward funding speculative warehouse schemes on 7 per cent yields is unrealistic. Simon Houlston and Partners acted for Vicar Lane's private vendor.

Another, unnamed, pension fund client of KC,G; will get an initial yield of over 7 per cent on its £600,000-plus purchase of a new office and shop scheme at 14-16 Lower Marsh at the rear of Waterloo Station, SE1. Hammond Phillips Partnership acted for the developer vendor, who had let the 8,000 square feet of offices to Costain Property Investments on a 25-year lease at £42,500 a year.

JB

PROPERTY APPOINTMENTS

PARLIAMENT AND POLITICS

Lords Scots election proposal defeated

BY IVOR OWEN, PARLIAMENTARY STAFF

IN A FREE vote the House of Commons last night rejected by a massive 208 majority the House of Lords proposal that the first election for the Scottish Assembly should be based on the additional member system of proportional representation.

The first of the 239 amendments made by the Lords to the Scotland Bill, which sought to replace the traditional first past the post method of election by proportional representation was defeated by 363 votes to 155.

Leading opponents of the Bill, including Mr. Tam Dalyell (Lab West Lothian), on this occasion chose to accept the advice of the Government and joined Ministers in voting against the Lords amendment.

Majority

In urging this course, Mr. John Smith, Privy Council Office Minister, recalled that on three earlier occasions the Comons had decided agaiainst the use of proportional representation for the election of a devolved Assembly.

But he acknowledge that the Lords amendment embodying the additional member system had been approved by a clear majority of peers.

Nevertheless, said Mr. Smith, the Government's recommendation was that the amendment should not be accepted.

Although he abstained when the vote was taken, Mr. Francis Pym, the chief Conservative spokesman on devolution, endorsed many of the arguments for PR and described the support which the amendment had received in the Upper House as "surprisingly strong."

But he carefully reflected the views of Mrs. Margaret Thatcher, the Opposition leader, in stressing that he was not advocating proportional rpresentation for elections to the Westminster Parliament.

Mr. Pym contended that different considerations applied in the case of the Scottish Assembly.

Unlike Westminster, where the two main parties dominated, the new set-up in Edinburgh was likely to produc ethree parties of nearly equal size.

With proportional representation the situation in which one party was able to obtain a majority of seats with a minority of votes, and implement a programme with which the majority of the electorate did not agree, would not arise.

There was a danger, he argued, that with the first past the post system, the Scottish Nationalists would secure a majority of seats on a minority vote and use their position in the Scottish Assembly to embark on a course directed towards its objective of separation from the rest of the United Kingdom.

"The SNP has not advocated a UDI. But it would be entitled to use that Assembly majority to try to take Scotland towards their goal of independence."

Mr. George Reid (SNP, Stirling East and Clackmannan) intervened to point out that even when SNP was obtaining high ratings in the opinion polls, thte party had consistently supported electoral reform.

A newcomer to the debates on the Scotland Bill, Mr. Donald Dewar (Lab., Garscaddon) — victor in the recent by-election which gave the first confirmation at the polls of a falling off in support for the SNP — announced that he would vote with some reluctance against the additional member system favoured by the Lords.

But he saw dangers in a voting system which was likely to produce a fragmentation of the political parties.

One peer had estimated that on the basis of voting in 1974 in Scotland, the additional member system would have produced an Assembly with 58 Labour members, 36 Tories, 45 SNP and 11 Liberals.

Result

Mr. Dewar suggested that such a result would procdue an Assembly which was unworkable and ungovernable.

When Mr. Malcolm Rifkind (Con Pentlands) suggested that the first past the post system might lead to exactly the same result, Mr. Dewar commented, amid laughter, "We would have to live with it."

Dividend control discussion likely

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE QUESTION of whether there will be an extension of dividend controls after the end of this month is likely to be discussed by the Government with the TUC and CBI, Mr. Michael Foot, Leader of the House told the Commons yesterday.

He indicated that the subject will probably come up as part of the discussions the Government will be having during the coming weeks on the wage policy to follow Phase III, which runs out at the end of July.

Mr. Foot and the Prime Minister, have faced continual questioning in the Commons, over the past weeks as Tory MPs have tried to get clarification of the Government's intentions on dividends.

The statutory controls end on July 31—unless the Government introduces some form of legislation to renew them.

Yesterday, when Mr. Foot stood in for the Prime Minister—absent at the Bremen conference — Mr. William Whitelaw, Deputy Conservative leader, returned to the subject again.

Mr. Whitelaw suggested that when the Prime Minister next meets the CBI and TUC, he should be in a position to tell them what the Government intends to do about dividend control.

"The Government is running out of time on this very crucial issue," he said.

Mr. Foot told him that Mr. Callaghan would be having discussions with both organisations in the nex tweek or two "and I have no doubt dividends are one of the matters that will be discussed."

Mr. Whitelaw pressed him to say whether there would be a statement to the Commons on the subject before Parliament rises for the summer recess at the end of the month or the beginning of August.

But Mr. Foot replied: "I have nothing to add to what I have said on the subject."

Later during business questions, Mr. John Biffen (Con Oswestry) returned to the matter. He wanted to know whether the House should understand from the earlier exchanges that dividend controls would definitely be discussed with the CBI.

If this was the case, then he thought it would have been more courteous for the Government to have informed the Commons that such discussions were to take place.

Mr. Foot retorted that this was not a matter which had to be decided by the Commons or by the CBI.

Rees to implement police pay report

BY JOHN HUNT

THE GOVERNMENT has accepted in full the Edmund-Davies recommendations for increases in police pay and will implement them in stages starting from September 1, Mr. Merlyn Rees, Home Secretary, told the Commons yesterday.

He emphasised that the report would be implemented in full, "subject to phasing."

Although he produced a copy of the document and waved it before MPs, he would not say at this stage what the recommendations were.

A full statement would be made to Parliament when the report was published, he promised.

"The problem is deeper than just pay. It is vitally important that the reports we are having done are not only on pay, but also the negotiating machinery and the role of the Police Federation."

Mr. Rees told MPs police manpower in England and Wales in May this year was 107,875, a fall of 1,463 from the previous year.

But he rejected an accusation from Mr. Patrick Mayhew (C, Royal Tunbridge Wells) that the increase in resignations was a sign of lack of confidence in the Government among policemen.

"I have talked with many policemen recently," said Mr. Rees, "and they are getting fed up with the way law and order is getting tangled up with populist politics."

Mr. Andrew MacKay (C., Stechford) urged Mr. Rees to implement the committee's findings as early as possible "and not wait for Treasury approval."

But Mr. Rees told him: "There is no question of Treasury approval. I have told the House I will accept it."

● The Labour Government has been responsible for more lawlessness and dishonesty than practically any other government, Mr. Ivan Lawrence (C, Burton) claimed in the Commons yesterday.

Only one in three crimes were reported, and of those reported only one in five resulted in a prosecution and half the people who pleaded not guilty were acquitted.

Missiles at MPs halt Commons business

SHOUTING demonstrators hurling packets—apparently of horse dung—at MPs brought the Commons to a standstill briefly yesterday.

The House was suspended for 20 minutes as doorkeepers cleared up the mess after a man and woman in the public gallery had hurled several of the parcels at the MPs below.

They were hustled from the Chamber, shouting slogans against treatment of Irish prisoners in Long Kesh and against the presence of British troops in Northern Ireland.

MPs scattered under the shower of missiles, the first of which hit Mr. Dennis Skinner (Lab, Bolsover) on the head. He dashed for shelter in the doorway to the Chamber as other packets burst among the seats.

Chaos reigned for several seconds as attendants tried to bundle the two demonstrators from the gallery.

Mr. Tam Dalyell (Lab, West Lothian) who had been speaking on a point of order connected with the Scotland Bill, also ducked to avoid the missiles.

After a few seconds, he started speaking again, but the House was suspended shortly afterwards.

The first sign of the trouble was when one of the demonstrators, sitting near the back corner of the gallery, shouted: "What about the conditions of the prisoners?"

Almost immediately, the first packet was hurled into the Chamber.

NEXT WEEK'S BUSINESS IN THE COMMONS

Monday: Private Members Motions until 7 pm. Afterwards debate on the 1979 Preliminary Draft Community Budget. Then Adoption (Scotland) Bill (Lords), the National Health Service (Scotland) Bill (Lords) and the Interpretion Bill (Lords), Consolidation Measures.

Tuesday Wednesday and Thursday: Completion of remaining stages of the Finance Bill.

Friday: Private Members' Bills.

Liberal says doors on sleeper locked

AN MP who uses the sleeper train to the West Country claimed in the Commons yesterday that doors were locked and windows rarely opened.

Truro's Liberal MP, Mr. David Penhaligon, made his allegations after Transport Secretary Mr. William Rodgers confirmed that a public inquiry would be held into yesterday's Taunton rail fire in which 11 people died.

Mr. Rodgers, who announced that British Rail's internal investigation into the tragedy would be published, indicated to the Cornish MP that if these practices existed, he would not wait for the result of the probe but take steps to act.

Earlier yesterday, British Rail said it was their policy that sleeper train doors were left unlocked.

Mr. Penhaligon said it seemed that several of his constituents had been killed in the accident. He used the train virtually every week.

"All the doors are locked between carriages, every single door out of the train is locked other than where the attendant is."

Mr. Rodgers replied: "I would not wish . . . to comment on the details of present practices because of what seems to me to be some conflict of view.

"But, in view of the fact these trains will continue to be used up to and including the inquiry, I will take steps accordingly."

Earlier, Shadow Transport Secretary Mr. Norman Fowler had also asked about the possible general practice of keeping doors of carriages unlocked to enable passengers to get out in the case of fire.

He also wanted to know about smoke detection precautions currently being taken.

Mr. Rodgers replied: "I fully understand these matters are complicated. Even today, there has been some conflict of evidence in public comment.

"Rather than saying anything which might in any way mislead MPs or prejudice the inquiry, I would rather leave it as it stands."

Wales Bill blow for Government

THE WALES BILL continued its troubled passage through the Lords yesterday with a heavy Government defeat by 29 votes during the report stage.

Voting was 96 to 67 to back a move enabling the Welsh Secretary of State to intervene in any dispute between water authorities and the devolved Assembly.

Lord Middleton said that in the past water in Wales had been as inflammable as oil in Scotland.

He told peers that difficulty would arise where a Welsh water authority lay partly in England. In this case, the part in England would be the responsibility of the Secretary of State and the part in Wales would be the responsibility of the Assembly. This would lead to confusion.

For the Government, Baroness Stedman said she found the proposal objectionable."

It would provide a formal means under which a water authority could go over the head of the Assembly and this could well lead to conflict.

For the Opposition Lord Elton said it was in no way meant to incite an appeal.

It merely meant that if the authority felt something had been done which was unfair by the Assembly, it could go to the Secretary of State.

Tories continued their mauling of the Bill when, by a majority of four, Peers agreed to give the Welsh Secretary power to intervene to protect listed buildings in Wales. Voting was 87 to 83.

From the Tory front bench, Baroness Elles insisted that people interested in protecting a building or monument of historical importance to Wales should have the right to be heard.

Under her proposal, the Secretary of State would be able to hold a public inquiry at which the various parties could make reoresentations.

It would also enable the Secretary of State to intervene on grounds of the national interest.

"The fact that a Welsh Assembly is being set up does not deny the right of the British to take an interest in the affairs of Wales, especially in matters of heritage."

Lady Stedman said the Government was sympathetic to the interests the Tories were trying to protect. But their proposals were "both unnecessary and ineffective."

OBITUARY
Lord Marples

LORD MARPLES of Wallasey, one of the most colourful of post-war politicians, died in a Monte Carlo hospital yesterday, aged 70. He had been in poor health since moving to Monaco three years ago.

As Mr. Ernest Marples, MP for Wallasey for 30 years, he reached the height of his political career in the five years he was Minister of Transport from 1959 to 1964.

With great energy and enthusiasm, he launched a number of innovations including parking meters, yellow lines and police powers to tow cars away that made him deeply unpopular among motorists. "Marples must go" stickers appeared everywhere.

But despite abuse, he was highly regarded as a Minister and Party politician. He was among the first Tories from a working class background to reach the top.

He was son of a socialist foreman and went to a Manchester council school before winning a scholarship to Stretford Grammar School.

He became a trainee accountant with Price Waterhouse in London, and "moonlighted" as a bookie at London Greyhound stadiums.

He thrived financially and socially, entered Parliament in 1945, and helped to found the Marples Ridgeway construction company.

In the early 1950s, he was Harold McMillan's parliamentary private Secretary and was particularly proud that the Tory pledge to build 300,000 homes a year was fulfilled.

Later, he went from the Ministry of Pensions to become Paymaster General and finally, to the controversial post of Minister of Transport, where he guided the expansion of the country's motorway programme.

In 1976, he was made a life peer on leaving the Commons

RUPERT CORNWELL TAKES A CLOSE LOOK AT TOWN FACING BY-ELECTION NEXT WEEK

Labour man favoured as Penistone MP

"YOU KNOW. I started off as an errand boy at 14 with Foxes back in 1941. I was getting 12/3d a week. I'd cycle in at nine, mash up tea for the manager, and then have to cycle back thoesihmo z —— — — back to his home where he'd forgotten his glasses" recollects Mr. Allen McKay.

He is Labour's candidate and, barring an electoral earthquake, the next MP for Penistone.

Foxes meant Samuel Foxes at Stocksbridge, a firm now lost in the anonymity of the British Steel Corporation's special steels division, but one of the corporation's few plants to keep its head above water last year.

That reminiscence has its point. It illustrates perfectly the switch in the Penistone Labour Party's favours to a local man.

The 51-year-old McKay could not be more deeply rooted in South Yorkshire soil. Born in the constituency, he went on to work at the local colliery Elsecar as a "trammer," putting tubs of coal into the cage.

Today, he is assistant manpower officer with the Coal Board and served as agent-cum-secretary to the former MP the late John Mendelson.

He could not be more different from his predecessor. Instead of the donish and highly intellectual tribunite, there is a warm, open-hearted Hoyland councillor, a down-the-line Callaghan Loyalist, distinctly uncomfortable when asked about weighty economic issues, but only too happy to talk about his beloved mining area. Indeed, McKay is sponsored by the National Union of Mineworkers.

Not on the original selection shortlist, McKay was drafted at the last moment when it looked as though another left-winger from outside the constituency, Mr. David Blunkett, was to win the nomination.

In the end, McKay was picked with just one vote to spare, and to his initial astonishment, found himself on the doorstep of Westminster.

Beauty

Penistone lies North-West of Sheffield, a 144-square mile chunk of rolling dales country of stunning beauty, scarred by pitheads and slag heaps.

Coal, steel and farming are in its blood. But far from being a homogenous single entity, it is a string of separate communities, united mainly by their Yorkshireness.

The only immigration anyone worries about there is from nearby Lancashire. "That's why the sheep have guns," someone joked.

The industrial folk memory is long and tinged with a resigned helplessness.

It was trouble at Camel Laird which produced a crisis back in the '30s in the small town. Today, it is the loss of 300 foundry working jobs in the local factory of David Brown. Unemployment in the town might jump as a result from around the national average of 6 per cent to around 11 per cent.

But just now, the country's main concern with the place is over the swings in next Thursday's by-election. From Labour to Conservative and above all, from Liberal to Labour or Conservative.

For the Prime Minister, the straight three-horse race will provide a vital clue to the national mood as he prepares to take his final decision on whether to call an October election.

Mr. David Steel, for his part, will be praying that the constituency which borders on the Liberal seat of Colne Valley does not provide damning proof of his party's collapse. Happily for him, there are some signs it won't.

The 22 per cent of the vote achieved by Mr. David Chadwick, the Liberal candidate in October 1974, is less than some of the impressive totals they achieved in the South that year.

But one suspects that the Northern Liberal, with his strong non-conformist streak, is of sterner stuff than his fly-by-night southern counterpart.

The Liberals have something to build on with their recent successes in local elections. . . . In Chapeltown and High Green, on the edge of Sheffield, they have real strongholds. Chadwick is standing again for the seat. He is (metaphorically) in the Cyril Smith mould—down to earth and no friend of the Lib-Lab pact.

Of the traditional Liberal hobby horses, community politics is one he likes to ride, and Penistone seems well suited.

Local issues do figure strongly beside the inevitable national pre-occupation with prices and jobs.

Subsistence in the coal working areas is of great concern, while only this week the Government announced plans to go ahead with the long-needed £40m Stocksbridge by-pass—to squeals of outrage from Conservatives at "blatant electoral bribery."

Complacency

Not surprisingly, Chadwick accuses his opponents of mismanagement and complacency in an area they have so long ruled.

"Hoyland (the original mining area) is a disgrace for Labour. The place is wide open for community politics."

The other point he makes forcefully is the sheer futility of holding the poll so close to a likely election—even though the consequent apathy could help the Liberals.

"We're going to have a 14-day MP," he said. "It's a bloody nonsense."

The Tory candidate, Mr. Ian Dobkin, reckons that he too will reap the benefit of the Liberal slump in the opinion polls. There is also "the general feeling that something's not right in Penistone."

A majority of over 15,000, he argues, is unnaturally large and if the most recent national voting trends hold good in the constituency, thus it will prove on Thursday.

Dobkin, a 30-year-old Leeds solicitor, was described by Mr. Heath as energetic, but not abrasive.

He probably leans a little to the left of the Tory party. The issues where he believes he's scoring are sales of council houses, and law and order.

Dobkin is also deeply upset that his Labour opponent won't face him in a direct debate and claims that Thursday might produce "another Ashfield."

That, to put it mildly, is unlikely. Mr. Steel has declared that Penistone is a two-horse race in which the Conservatives were non-runners.

The truth is that what really matters is not only who comes second, Liberals or Tories, but also how.

October 1974 by-election result: Mendelson, J. (Lab) 27,146; Harris, G. (Con) 12,011; Chadwick, D. (Lib) 10,900. Lab majority 15,135.

FINANCIAL TIMES SURVEY

Friday July 7 1978

MEDIUM AND LONG-TERM FINANCE

The evidence so far submitted to the Wilson Committee indicates clearly that lack of finance is not a major cause of industry's low level of investment. The funds are there — what seems lacking is any real conviction about economic recovery.

Demand expected to quicken

THE COMPANY sector has been in a relatively strong position in the past year. Liquidity has been at a historically high level and profits have recovered strongly from 1975-76. But the period of revival may have finished since *there are already signs of a* change in trade, with a squeeze on real profitability and rising calls for finance as the economy picks up.

The financial position of industrial and commercial companies improved last year. This tended to be masked by a relatively small rise in published profits with gross trading profits of industrial and commercial companies before stock appreciation up by 13¼ per cent in 1977 compared with the previous year. However, gross trading profits after adjusting for the rise in the value of stocks increased by nearly 39 per cent.

This occurred even though domestic output was sluggish with a rise in a real Gross Domestic Product of little more than 1 per cent, and in spite of an erosion in profits from overseas and from exporting as a result of the rise in sterling. The reason for the improvement is that real profitability improved in the domestic market. Companies took advantage both of the easing of domestic cost pressures, notably in import prices and the rate of pay increases, and of the relaxation of the Price Code to increase profit margins.

The decline in the rate of inflation meant that a smaller amount of extra cash had to be invested in stocks by manufacturers and distributors during the course of last year. Thus the amount required by industrial and commercial companies for stock appreciation declined from £1.48bn in the first three months of last year to £506m in the October-to-December quarter.

There was a change in the cycle of physical stocks during the course of last year as well. The large, and partly involuntary, increase in the level of stocks of work in progress and finished goods during the first half of the year was partly reversed from the summer onwards.

The turnround was sufficient to ensure that industrial and commercial companies moved out of financial deficit during the second half of last year. This is usually defined as their net acquisition of financial assets, namely what is left over after paying taxes, dividends, and financing capital investment *and the increase in stocks*. After a deficit of £1.94bn in the first half of the year, there was a surplus of £186m in the second six months. However, the earlier deficit was sufficient to produced a deficit for the year as a whole of £1.76bn, compared with deficits of £599m and £1.03bn in the previous two years.

The rise in North Sea oil production has made a large difference to the improvement in overall profits. While overall profits net of stock appreciation rose by nearly 39 per cent, the increase was 25 per cent after excluding the effect of North Sea oil and gas activities.

However, the improvement in profitability appears to have been halted. The latest provisional figures for the first three months of this year suggest that gross trading profits of all companies net of stock appreciation have risen only fractionally since late last summer, and may have dropped slightly when adjustments are made for North Sea operations.

The CBI has estimated that, including North Sea operations, the pre-tax replacement cost rate of return for industrial and commercial companies was around 4¾ per cent in the first three months of this year, about the same as in the final three months of 1977. This compares with 3½ per cent in 1976, a low point of between 2¼ and 2¾ per cent in early 1976 and more than 10 per cent in the early 1960s. After excluding North Sea activities, the real rate of return in the first quarter of 1978 was about the same as in the previous three months.

The CBI suggests that real profitability, excluding North Sea operations, will fall back again during this year to below 4 per cent in response to rising labour and import costs, the additional national insurance surcharge on employers and weak international demand.

The latest forecasts from the London Business School also project a slowdown in the rate of growth of profits in the next few years, which is even more marked when North Sea operations are deducted.

The CBI has "warned that unless there is a very marked *fall in the rate of pay inflation*, there is little chance of real profitability even returning to last year's level by 1979. If so, cash flow and in consequence industrial confidence will continue to remain at a low ebb. This would quickly serve to worsen the outlook for output, investment and employment."

However, published profits of individual companies could improve during the coming year since the conventionally stated figures include stock appreciation which could be boosted by inflation. Moreover, the rise in consumer demand now being experienced could benefit many companies.

The underlying financial position of industry *has, at least* until recently, remained healthy. The amount required for stock appreciation continued to decline in the first quarter. The first quarter liquidity survey by the Department of Industry showed that for 228 large companies current assets were 132 per cent of current liabilities. This was a *higher ratio* than at the previous peak in late 1972 and early 1973. Indeed companies were in a sufficiently strong position to stockpile imported raw *materials* in the correct anticipation of a later decline in sterling. The results have been shown by a sharp rise in industry's holdings of physical stocks in the first-quarter and by higher imports of certain industrial raw materials earlier in the year.

The level of physical stocks may have been reduced since the spring in response to the increase in consumer demand. But it is likely that the rise both in import costs (following the fall in sterling in March) and in earnings will increase the amount needed to finance stock appreciation.

Meanwhile, investment is also rising, though somewhat erratically. The latest Department of Industry investment intentions survey points to increases of 10 to 13 per cent in manufacturing spending and of 6 to 8 per cent for the distribution and services sector, both in volume terms.

The recent Bank of England quarterly bulletin concluded from these trends that "the company sector's financial position is likely to weaken during the year as accelerating costs erode profit margins. This may have little effect on investment in 1978, but could well depress it in 1979."

City analysts have been divided in their views. Phillips and Drew, for example, has projected a decline in the financial deficit of industrial and commercial companies of £1.4bn to £400m this year, mainly as a result of higher profits in the North Sea and a sharp fall in the cost of financing stocks. Accordingly, the brokers have estimated that the sector will increase its bank borrowing by around £3bn, as it did last year.

Phillips and Drew has been more pessimistic about 1979 when it suggests a significant deficit could materialise for non-North Sea companies as stock appreciation increases and as investment in stocks and fixed assets rises in real terms. It projects a deficit of £2.5bn next year. If North Sea activities are excluded, the brokers estimate the corporate sector deficit will decline from £1.2bn last year to balance in 1978 but jump to a deficit of £2.4bn in 1979.

Brokers Wood Mackenzie, in contrast, project only a small decline in the net financial deficit this year to about £1.5bn and little change in 1979. The implication is that industry's bank borrowings will rise sharply this year—up by £4.4bn—but rise by less than £3bn in 1979.

The bank lending figures so far do not provide a clear guide. The quarterly analysis by the Bank of England shows an underlying rise in sterling advances to U.K. residents *between* February and May as £1.5bn. This was nearly twice as much as in the preceding quarter. Lending to manufacturers was small within this total—with advances to the private sector and services accounting for much of the increase—but the figures were almost certainly distorted by window dressing ahead of the imposition of the so-called corset controls in early June. The general expectation is that manufacturers will now start to borrow on a larger scale.

Peter Riddell
Economics Correspondent

Wilson team opens City doors

THE WILSON Committee will be mentioned many times in the course of this survey. This is because the Committee's activities have generated an astonishing amount of information about the British financial system. Some of the City's most reticent institutions have been moved to give an account of themselves in writing and then to be cross-questioned by the committee's members. "Wilson Committee Evidence" will be a definitive source of information about our financial system for the next decade.

The main "message" of the first stage of the Committee's inquiry, which dealt with the financing of industry and trade, is that it is a fairly small minority which believes that the way British financial institutions operate has deprived British industry of funds it should have had, or has constrained investment.

In pointing 100 or more fingers towards where the British industrial malaise is supposedly rooted, the Wilson Committee's inquiry has reflected, and probably amplified, a discernible political swing in the UK towards proper reward for entrepreneurial risk. The Confederation of British Industry, speaking for the larger companies, said that investment was restricted by a "lack of confidence that industry will be able to earn a sufficient return."

At the small end of the scale the small company was established as the *cause célèbre* of the inquiry. Because the small company sector is politically unimportant it proved ideal as an area where both left and right could engage in mutually *acceptable breast beating*. The result was very much in tune with the emerging sentiment that "small is beautiful" and with mildly contradictory hope that little industrial acorns will yield mighty oaks. So the Wilson Committee made a definite contribution to tax breaks for small businessmen to, the establishment of Harold *Lever's* inquiry into small companies, and to the Bank of England's *unusual decision to* produce a guide to small company finance.

Reports

Some of the Wilson Committee's most satisfying work has been presented in the form of research reports—either commissioned by the Committee or prepared by a group of its members. The Survey of Investment Attitudes and Financing of Medium-sized Companies showed what really motivated and restrained the capital investment of British managers.

The authors found that a defensive attitude was prevalent. The first priority was "*above all* to preserve the *substance* of the business and its management and workforce." This meant not unduly jeopardising the business by major expansion—especially with borrowed money.

The authors attempted to extract the views of managers on external fund raising. The results were very demoralising for anybody wanting to set up the City as the villain behind the UK's industrial problems. The authors could not find any instance of an investment proposal foundering for lack of funds or because of the terms and conditions imposed on the lending of them.

What really worried the managers was the "lack, or uncertainty, of demand in the UK economy." The other constraints on investment included inflation, the resistance of *workforces to change*, the shortage of good management and highly skilled labour, and the lack of management incentives. The managements were not fulsome in their praise of "the City," nor were they critical. Nearly every company had been able to obtain finance from a clearing bank as and when required—even when money was tight.

The medium-sized companies were more or less unanimous in saying that the availability of funds from Government sources made little difference to their investment plans, although they would naturally take what was going. On the other hand evidence from the Bank of England showed how sensitive companies can be to changes in Government policy. In a written submission to the Committee the Bank provided a detailed list of companies that had postponed or cancelled capital projects because of uncertainties over Government policy.

The Bank maintains contacts with some 1,500 companies in order to preserve its own "feel" for industry. So in the last few years it has been able to keep a tally of cancelled investment plans and to pin-point the underlying causes. It found, for example, that the switch from investment grants to tax allowances on capital investment caused five companies to cut their capital spending. It found that uncertainty about compensation for nationalisation had delayed several investment projects.

While the Committee's main effect has been to clear the City's financial institutions of the charge that they are a bottleneck in the process of industrial investment, it has also provoked interesting discussion of the ways in which they provide medium and long-term finance. The evidence has pointed up the increasing use being made by industry of medium-term loans. Between 1973 and 1977 such loans increased their share of the loan *portfolios of the London* clearing banks from 27 per cent to over 40 per cent. This increase led the banks to suggest that it was time the Bank of England provided a refinancing facility for such loans—to allow the banks to continue to borrow short and lend even longer.

A submission by the U.S. banks operating in Britain, which have benefited from, and given impetus to, the trend towards medium-term lending, showed how such lending brings with it change in emphasis in analysis of the borrower's credit-worthiness. Such lending demands that the banker analyse a company's ability to repay as a "going concern" rather than the company's "*break-up value*."

Long-term finance divides into long-term bond issues and equity finance. The Wilson Committee evidence generated very little heat on the *subject of long-term* finance—possibly because of the current lack of demand for such money. The committee found that corporate treasurers were unwilling to borrow at two-figure rates of interest, first because of the lingering hope that inflation and interest rates would come down, leaving the borrower stranded, and second because high interest rates imply a high initial negative cash flow before capital projects begin to yield their return.

The committee also found that there was fiscal discrimination against industrial loan stocks in favour of gilt-edged securities. Nevertheless the strongest impression left by the committee's findings on long-term finance was how little talk there was of "crowding out"—the process whereby the Government supposedly usurps all available long-term money.

A very large amount of the Wilson evidence has been bound up with equity finance. The problem of equity finance for small companies—one of the committee's adopted causes—is discussed *elsewhere in this* survey. In the province of the larger company the evidence focused attention upon the investing institutions — principally the insurance and pension funds—and the way they now dominate the securities market in quantitative terms.

The power of the investing institutions emerged as the most likely theme for controversial findings in the final report which the committee will publish next year. Should pensions be funded at all? Are pension funds "so powerful that they do not know how powerful they are," as Sir Harold Wilson said at one stage? Do they distort the workings of the stock market and, conversely, is the stock market able to cope with them? Should the managers of these funds fulfil a more entrepreneurial role by chivvying industrial management? Should institutional money be "directed" into industry? These are some of the questions on which the Wilson Committee may ultimately have to form a judgment.

Nicholas Colchester

Help for smaller firms

IT IS now nearly a year since political interest in the plight of small businesses began to quicken and led quite rapidly to the Prime Minister appointing Mr. Harold Lever, Chancellor of the Duchy of Lancaster, to coordinate and expand the Government's policies in this area.

Since then Mr. Lever has charmed everyone he has met —of whatever political colour or business interest—and he has induced the Chancellor of the Exchequer and the Cabinet to introduce two financial packpages aimed at helping small companies. As a result, the things that can most easily and cheaply be done have been done. Some tax reforms have been introduced, statutory form filling has been reduced, Government help for export and general business innovations has increased, a small firms employment subsidy has been extended, and special help in rural areas and inner cities is being developed.

Scheme

But little has been done directly to push more finance into small businesses and one major proposed reform—the introduction of a Government guarantee scheme for bank loans to small businesses—is still being examined by the Roll Committee on finance for industry against a background of a mixture of Government scepticism and opposition. The Department of Industry and the Treasury are specially worried that the introduction of such a scheme, aimed at inducing banks to lend to small and emergent businesses that cannot prove their track record or positive viability, may simply mean that the banks pass their potential bad debts on to the Exchequer.

Advocates of the idea, however, point to the success of similar measures in the U.S. and W. Germany. There is also some political interest because launching such a scheme, linked maybe with the creation of a small business bureau, would be a significant gesture for this Government to make in the *run-up to a general election*. On the other hand, such an idea may not appeal to a future Conservative Administration because it would involve too much State intervention in industry to please some senior Tory politicians such as Sir Keith Joseph.

But while little progress has been made with this guarantee loan scheme, a significant attempt to plug what is known as the information gap about institutional finance has been made by the Bank of England and the City Communications Centre. The existence of the gap was noted by the Bolton Committee on small firms in 1972, and has also been discussed by the current Wilson Committee on financial institutions.

Now this new publication, "Money for Business,"* should help to fill the gap, while at the same time underlining many of the complexities involved for a small firm turning to the institutions. Hailed as a major innovation by the Bank, it sets out clearly how finance can be obtained. It is arranged in three parts. The first provides general guidance about business finance — how a firm's financial needs can be assessed, the question of introducing new equity capital, the issues involved in borrowing in the right way for special needs, and how a company should prepare its case when seeking money. The second section describes in more detail where cash can be found, while the third forms a directory of the institutions that can provide finance.

Some of this may prove to be somewhat heavy for a small *businessman with no financial* expertise, but the Bank does stress that the booklet is not supposed to oust the financial advisor from a job.

It should also be remembered by small companies that not every merchant bank and financial institution listed in the third section is over-anxious to lend to a small enterprise. Some concerns are in the list simply because they felt they should not be excluded from such a Bank of England publication, while others will not be willing to take on many small firms.

The part of the booklet of which some of the people at the Bank are most proud is the one devoted to how a small firm (or any other concern seeking financial backing) should prepare its case. This is because there is a feeling in the City that many small businessmen will be prematurely scared off the idea of trying to work out how to approach a financial institution. And even those who make an initial approach may be deterred by the mass of questions requiring detailed analysis and information that follow.

"Before making an approach to any bank or investing institution, an applicant will be expected to be clear about three things: the amount of finance required and the period for which it is needed: the purpose for which the finance is being sought: and the financial position and prospects of the business," says the booklet.

Forecasts

It points out that much will depend on the type of finance being sought—*leasing and hire* purchase deals need less back-up information than longer-term arrangements. Short term and well-secured lenders tend to *require less information about* a firm's business and its management than a longer term unsecured lender or an equity investor who is likely to want to make a particularly careful investigation of financial and other prospects. But even the shortest-term lender is likely to require credible cash flow forecasts for at least a year ahead.

The booklet then sets out a list of nine basic points of information that are likely to be asked for. The first is the reason why the money is needed —to finance investment or a seasonal trading peak, to reduce hard-core short-term borrowing, or to enlarge the company's trading base. Next the amount of finance required and the form in which it is desired, including an outline of security available and of existing credit arrangements, will be wanted.

Thirdly, the firm's history and business activities must be described, including an outline of the number of employees and turnover in different areas. Then information about the main products made and markets served will be required *plus details of the company's* buildings, plant, machinery. There must also be a list of directors and senior management, with their qualifications, age, and experience. Full audited accounts must also be prepared, including an analysis of profits broken down into divisions or profit lines for a five-year period where the concern is old enough.

The final two subjects in the list are fairly detailed trading and cash-flow projections for at least three years ahead, and a brief account of accounting, management information and budgetary control systems. The Bank acknowledges that this list may appear "formidable" and points out that financial advisors can help and that, in practice, financialy institutions interpret their requirements flexibly.

The booklet also sets down six possible limitations that any institution deciding to lend or invest may make. These affect the amount of money borrowable, any further charges on the business's assets, the amount of the directors' remuneration, access to information about business progress, the appointment by the investor of a Board director, and the *investor's right to be consulted* about certain future developments or transactions.

All this information has been set down by the Bank and other City interests, as has been said, to try to plug the information gap about the availability of finance. But at the same time it also serves a more salutory purpose in that it illustrates the complexities of business life that the owner *of a small firm* must face if he is to seek salvation from the institutions.

Mr. Lever often talks about how the "Aunt Maud or Uncle George or the local garage proprietor with cash to spare" are the ideal initial backers for small firms. Unfortunately the country's tax system has put most of them out of the market. The financial institutions that the Bank's booklet suggests may now be the new sources of finance will clearly be somewhat more demanding on the next generation of entrepreneurs than these essentially retiring relatives and friends.

**Money for Business. Bank of England and City Communications Centre, London, EC2. Price £1.*

John Elliott
Industrial Editor

Teamwork:

The long-term business dividend from a medium term loan.

For expanding companies, both big and small, the best way of turning good business ideas into profitable reality is often a medium term loan from Midland Bank.

Such finance is available to creditworthy customers now, for sums over £5,000, normally repayable over from three to seven years.

This is how teamwork—you and Midland Bank together—can help produce the results you're after for your business.

You may need capital to expand manufacturing capacity or your delivery fleet; or to acquire extra warehousing.

Put your proposition to your local Midland Bank manager. He and his business team will work with yours. Together they can agree to tailor the loan to suit your company's needs, so that the profit your new asset generates helps you repay the loan.

Where very large companies are concerned, Midland's Corporate Finance Division can work directly with the company, to ensure the best possible use of Midland Bank Group's wide range of services.

And all these services are as accessible to your business team as a call to your local Midland Bank.

It's time your business team met the Midland's

Midland Bank

Midland Bank Limited

Euromarket borrowings

AFTER THE lean years of the mid-1970s for British corporate borrowers in the international capital markets, 1977 started with new promise. The market-place overseas at one time appeared to have fully accepted British public and private sector corporate "names." and British borrowers in all raised nearly $2bn in the form of international bond issues over the course of the year.

Sad to say, much of this early promise—rooted in the transformation of the British balance of payments into structural surplus, the prospective gains from North Sea oil and the recovery in the value of sterling—has not been entirely fulfilled.

This year so far the international market has made a much more realistic assessment of British corporate risk. In the City, the arguments can still be heard over what is considered to have been among the major misjudgments of the past 12 months—the launch of many Eurosterling issues by UK companies at "unrealistic" terms in the bond market, without regard for the market's absorptive capacity.

Most prime British companies, of course, should still have little trouble in tapping the international bond and bank credit markets for funds. But many international investors quickly became disillusioned with British corporate borrowers who launched ill-fated Eurosterling issues over the past six months or so.

Nevertheless, it has to be admitted that the improved international credit standing of Britain in the past two years has allowed great strides to be made in the marketing and restructuring of the UK's foreign debt by the Treasury and other public sector borrowers. Britain has pursued with great success its official policy of repaying ahead of schedule high-cost foreign debt as well as certain International Monetary Fund drawings, while also seeking long-term finance in order to smooth out the peak profile of debt maturities which occurs in the early-1980s.

As part of this policy, Britain this April raised money in the New York market for the first time, with a two-tranche $350m bond in the name of the Treasury. Both leading U.S. rating agencies awarded it triple-A rating.

In 1977 the incursion of British borrowers into the medium-term syndicated bank loan market—where $2bn was raised—was overshadowed by official activity, with this figure almost entirely accounted for by the $1.5bn U.K. loan raised in February 1977 (which is to be restructured on the basis of a longer maturity and lower interest cost).

This year the medium-term market — with international banks still flush with funds—has seen some significant private UK borrowings and less official activity. Shell Petroleum raised $800m in May, marking the largest ever corporate credit in the Euromarkets. Shell took advantage of the highly liquid conditions prevailing in the Euromarkets to raise this new facility partly to refinance an existing $400m loan which was arranged in 1974.

Strategic

Another operation which must have caught the eye of corporate treasurers of acquisition-hungry companies was the $500m medium-term loan raised by BOC International to finance its 100 per cent ownership bid for Airco Inc of the U.S., demonstrating how this particular market can prove such a strategic source of funds when large amounts must be mobilised quickly for takeover or other purposes.

However, in advancing such exceptionally large sums, the participating banks are obviously keen to deal with the best corporate names.

Apart from currency loans, the Euromarket bank can offer some subsidiary but nevertheless attractive propositions to the smaller company. For instance, one of the fast growing international markets centres around currency exchanges or swaps—an extension of the "back-to-back" company loan technique first popularised in the early 1970s.

Currency exchanges are regarded by some banks as a valid alternative for corporations and others to bank borrowings, Euromarket loans, Eurobonds or equity-related borrowings. The technique, for instance, can involve the provision of dollars by a U.S. company to its UK counterpart in exchange for sterling over a typical five to 10-year period. With the basic agreement linked to a re-exchange of the initial amounts, the system has developed gradually a degree of sophistication involving provisions for exchange risk, interest differentials and default.

For the participating companies, the system offers the advantage of an off-balance sheet transaction, elimination of currency exposure and the ability to use domestic borrowing strength to generate foreign currency.

Returning to more conventional capital sources, UK private borrowers did start tapping the Eurobond market again in 1977 in dollars and other currencies, with ICI, Beecham and Babcock last summer issuing convertible bonds after a four-year lull. But this particular sector then remained devoid of any new issues until the recent Boots' announcement of a $30m convertible to finance its expansion in the US.

For UK borrowers, the other sections of the Eurobond market, straight issues and floating rate notes (FRNs) have recently proved to be the preserve of British banks. Borrowers include National Westminster, with a $225m two-part operation, while Midland Bank is currently offering $100m 15-year floating rate note.

This latter "Bullet" issue, with no amortisation features, features an average life which is considered to make it the longest maturity for any Euro-dollar bond issue so far, including fixed-rate or floating-rate.

FRNs, geared to interbank rates have particular appeal to banks in the present international credit climate, as they produce a source of long-term dollar finance at a time of climbing US interest rates. For a non-dollar bank entering into a variety of foreign currency lending commitments, this is an important feature.

The important date in the Eurobond market for UK borrowers, however, was last November, which saw the re-introduction of issues in sterling.

The wide demand overseas for gilt-edged securities earlier in 1977 had provoked Eurobond issue managers into seeking the Bank of England's permission for Eurosterling issues which, once the go-ahead was given, resulted in a spectacular rush of companies to raise funds in the new market.

For the corporate treasurer the advantages were clear. Companies were able to raise sterling funds at rates roughly comparable to yields on gilt-edged (and at a time when the debate still continued about the availability of domestic funds over long-term tenors because the Government still dominated this section of the home capital markets).

Within weeks, four issues were made for between £10m and £25m on maturities of between seven and 12 years and yields of up to 10¼ per cent.

Overseas investors were also courted by the new issues at first. It had been widely expected that European investors would be eager to purchase high-coupon bonds in a currency that might appreciate thanks to the benefits of North Sea oil.

Despite further prestigious issues from the European Investment Bank and Finance for Industry, the whole project turned sour. Most of the more recent issues, such as the $10m Gestetner bond and Whitbread's £15m issue (both priced at 100) are now quoted at around 90 or below in the market.

Without doubt this debacle marked a major setback to the reintroduction of both sterling to the bond market as well as high-quality UK corporate names. The blame has been laid at various doors, including the operations of sophisticated banks and institutions allegedly determined to make a short-term profit in the new instruments rather than engage in any permanent investment.

Certainly, by this spring it was clear that last-minute attempts to salvage something from the collapse of the Eurosterling sector, such as a "new issue" queue to be orchestrated by the Bank of England, were doomed to failure. For the time being it seems safe to say that UK corporate treasurers will obtain little joy in considering such issues for a possible source of capital borrowings.

Nevertheless, the past 18 months have thrown up some useful opportunities, even if only to allow some consolidation of foreign borrowings. Sterling's strength in 1977 did allow some companies to take advantage of more favourable exchange rate shifts and follow the official UK example to repay foreign debt.

But many companies which took out foreign loans at low interest rates in the early 1970s were unable to avoid being badly hit by sterling's decline. Unfortunately the lowest interest rates available internationally were invariably those offered on Swiss francs, Deutschemarks and other strong currencies.

Grisly

The full extent of the exchange-rate-linked losses which can arise on such borrowings has just been demonstrated by the grisly details emerging on the Greater London Council's Sw.Fr. 200m seven-year loan arranged in October, 1973. The GLC and the London boroughs are calculated to be likely to lose £25m-£30m as a result of the fall in the value of sterling against the franc since the borrowing commenced.

Unlike virtually all other public-sector medium-term borrowings in foreign currencies in recent years, this loan was made without Treasury insurance cover against exchange losses. At the time it was made the Sw.Fr. 200m was worth some £27m. Since then the rate of Swiss francs to the pound has fallen from 7.3 to 3.45, meaning that if the loan were to be repaid today then the GLC and boroughs would have to find £58m

The lower interest rate on the loan — 7½ per cent compared to the 12 per cent which would have been payable on a comparable sterling loan—has probably brought down the nominal loss on the loan, which is repayable in 1980, to between £25m and £30m.

But by now the fall in the value of sterling against the Swiss franc means that the GLC and the boroughs are losing money on the interest payments too compared with what they would have paid if they had borrowed sterling.

John Evans

Nationalised industries

THIS YEAR the Government has set aside no less than £3bn to support industry and employment in one way or another. This is a large sum by any measure. It is about 7 per cent of total Government spending and about 5 per cent of all public expenditure.

If one were to judge from the annual public expenditure White Papers, this year's figure is in real terms about the same or somewhat less than in earlier years. But appearance can be deceptive. Since 1972, when the Heath administration's Industry Act was passed, a number of changes have taken place which make comparisons difficult.

Investment grants are no longer being paid (or almost); they were replaced by tax depreciation allowances which affect Government revenue, not Government spending. Price restraint policies in the nationalised sector have come and gone, and with them the need to compensate the state boards for the losses they incurred. The aerospace and shipbuilding industries have been nationalised, which means that the cost of certain forms of assistance to those two sectors have been transferred to another part of the White Paper. The Government has bought and sold shares in British Petroleum.

Changes have been made in the way fixed rate export credits and loans to build ships in the UK are refinanced, with the result that the commercial banks are carrying a bigger share. This reduces the immediate public expenditure cost of these two programmes but not the cost of subsidising shipbuilding and export credit interest rates.

The same goes for the progressive switch towards interest relief grants and away from soft loans in the selective assistance programmes provided under s. 7 (regional assistance) and s. 8 (industrial sector assistance) of the Industry Act. The cost to the taxpayer at the end of the day is not much different, but the Government's initial outlay is very much lower because the banks are providing the loan and the Exchequer merely contributes the subsidy to reduce the interest rate. The public expenditure cost is lower but not the subsidy cost.

If one makes the appropriate allowances for all these factors, then one finds a very different picture. In broad terms, Government support for industry and employment has doubled in the six years since the 1972 Industry Act was passed.

Part of this increase can of course be attributed to counter-cyclical measures. In total, Government spending on employment services, industrial training, job saving and job creation programmes has trebled in real terms since 1972 to close on £1bn this year. The real cost of the employment service has more than doubled (to about £180m a year), the cost of industrial training has more than quadrupled (to over £400m), and some £240m is currently being spent on counter-unemployment programmes such as the temporary employment subsidy.

There is a counter-cyclical element, too, in many of the s. 8 assistance schemes. This is most obvious in the case of the accelerated projects scheme and, its successor, the selective investment scheme. Both were designed to bring on investment projects which might otherwise have been deferred because of the recession or even not taken place at all.

But sector schemes like the ferrous and non-ferrous foundry schemes and the machine tool industry scheme could also be regarded as having been motivated at least in part by counter-cyclical considerations. Modernisation and expansion here would not only create employment now but might also help to alleviate bottlenecks when the economy picks up.

Influenced

Other factors have influenced the size or shape of the Government's industrial support programmes. It now has an industrial strategy. The selective investment scheme and many industrial sector schemes can be traced, it is said, to the discussions and studies that have taken place under the generic heading of industrial strategy.

The National Enterprise Board has been set up, and so have the Scottish and Welsh Development Agencies. The Government's budget for these three agencies is now running at around £400m a year. Together with the abolition of the regional employment premium, the establishment of these organisations has helped to give an even more selective emphasis to industrial and regional policies. Indeed, the emphasis is even stronger than the expenditure figures imply, given the growing preference for interest relief grants in place of loans in s.7 and s.8 schemes.

Another change, which has perhaps been rather less widely publicised, has been a gradual shift away in government support for innovation and technology from the excessive concentration upon the aerospace and nuclear sectors, which was so marked a feature of the 1950s and 1960s, towards a much broader approach. The change is not only relative but also absolute. Government support for industrial research and development generally, both within industry and universities and in the Government's own research establishments, has more or less doubled in real terms (to around £80m a year) since 1972.

The question this growing profusion of support schemes inevitably raises is — what effect are they all having? This is not a question which can be answered easily or quickly. Most of the schemes, apart from the temporary employment subsidy, the job creation programme and other counter-unemployment measures are designed to produce results over a fairly prolonged period.

The sheer multiplicity of programmes adds a further complication. It is hard enough assessing the effects of one particular scheme in isolation, for no one can really say what would have happened if the scheme had not been launched. It is harder still when each programme is surrounded by a host of others which may diminish its discriminatory value or which may have displacement effects.

Is there a conflict, for example, between industrial and regional policy. To some extent there must be, since the availability of s.8 assistance throughout the country reduces the preference shown to the assisted areas, even though a substantial part of s.8 aid has gone to the assisted areas (including about half all accelerated project and selective investment schemes) and even though the official line is that industrial and regional policy are complementary. Moreover, because of the recession, the controls over industrial development in the Midlands and South-East are being operated in a very relaxed manner.

Studies have been made of the efficacy of regional policy (showing, among other things, that up to 1975 at least the assisted areas had been attracting a steadily increasing share of the total quantum of new manufacturing investment in the UK).

But not all questions need time to be answered. For example, if the Department of Industry has a rule-of-thumb (but unpublished) limit to the cost per job for regional selective assistance (s.7) why should there not also be one (published) for the regional development grant, as is applied to the equivalent grants in some other countries (such as France)?

Does it matter if, according to one sample survey, the employment achieved by projects granted 7 regional selective assistance comes to only about two-thirds of the total forecast when the aid is granted?

Scepticism is inevitable. Figures have been produced to show what proportion of the projects aided under the accelerated projects or selective investment schemes would not have taken place or which would have been stated later. But can one be really certain? When governments have money to give away, there will always be industrialists who try to find ways of taking advantage of it. If the trend towards interest relief grants means that finance can be raised from the normal private sector institutions, is a subsidy necessary?

Scepticism is also desirable. There is a case of industrial subsidies to soften the social effects of change or to hasten on change that might take place too slowly because market forces are not working effectively or quickly enough. But they should be granted only when, to the extent, and for as long as they are really needed.

Colin Jones

Government support

THE RESTORATION of commercial pricing policies, the imposition of cash limits as a short-term instrument of budgetary control over each nationalised industry's external financing requirement, and the promises in the recent White Paper to put government/nationalised industry relations on a more regularised footing have given the State-owned sector of industry the semblance of better order.

The changes may not go far enough. The White Paper's promise may not materialise. The soured relationships of the past, which were so well described and analysed in the NEDO report of November 1976*, may take time to soften. But the improved atmosphere is both welcome and on the right lines.

Three of the proposals in the White Paper could have considerable significance. "One is that in future the corporate plan, and the examination of strategic options in the context of the plan and of the major long-term policy reviews that are occasionally undertaken, should have a central place in the relationship between each nationalised industry and its sponsoring department.

The second is that if Ministers should want to intervene in a specific matter where they felt that social, political, and other national considerations should over-ride the commercial judgment of the men they have appointed to run the industry, then they would do so by issuing direction for which Parliamentary approval would be required and the estimated cost of implementing the direction would be published.

Thirdly, the White Paper indicated that the basis upon which the performance of each industry would be judged would be broadened. Investment both for replacement and in new projects would in future have to satisfy a certain required rate of return.

There will be performance criteria as well as financial targets, and these are to be given greater prominence in annual reports.

Together, these proposals could help to create a clearer distinction between the respective responsibilities of government and nationalised industry and thus a better disciplinary framework, something which has been sorely needed for a very long time. The changes are of course only relative, and many of the White Paper's undertakings are written in ambiguous language. Giving the corporate plan a central place, for example, is not quite the same as making it the focal point of relations between department and board. Investment programmes will still be submitted annually, and industries will still be expected to "consult" sponsoring departments on certain major investment proposals, such as new power stations, steelworks, aerospace projects and other large individual schemes.

Sparingly

The power to issue specific directions is to be used sparingly. There will continue to be many issues, the White Paper states, on which the industries and the Government will reach agreement without the issue of a specific direction. When one is issued, compensation to cover the extra cost of the intervention will be paid only "where appropriate." And each industry's financial target will take into account any sectoral or social objectives set for that industry.

It is true that it is not always easy to assess the cost of a non-commercial decision. The cost of keeping upon a loss-making plant or ordering a power station before it is necessary to do so in order to save men's jobs is more readily assessable than a more generalised type of intervention, such as on the level or structure of an industry's prices. But if the responsibilities of government and industry are to be made clearer and the performance of the industry's management is to be fairly judged, then the cost of the intervention ought to be separately accounted for rather than subsumed (and therefore hidden) in the financial target.

Similarly, the White Paper offered only a very modest concession in the area of capital financing. One can see why the Government insists on letting only those industries which are fully viable, which operate in a competitive environment, and which are especially subject to cyclical fluctuations in trading conditions have an element of public dividend capital. The provision of what is tantamount to equity capital in the nationalised sector could be too easy an option. But it does mean saddling the rest, admittedly many of them utilities, with a capital structure consisting wholy of debt.

One can also see why the Government insists upon denying the industries access to the market for their long-term finance and requires them to channel their needs through the National Loan Fund (apart from overseas borrowing for which government approval is needed and which in any case helps the Government to finance its overall borrowing requirement). But apart from offering the industries the concession of being able to take part of their National Loans Fund borrowing in medium term maturities, the White Paper offers no flexibility.

It is often said that Governments act as merchant banker to the nationalised industries. But the National Loans Fund shows none of the skill, versatility, or enterprise that a merchant bank displays in devising different packages to match the requirements of their clients. The arrangements made for financing the nationalised industries are designed to suit the Government's convenience, not the industries'.

Wider

The point has a wider significance. So long as even nationalised industries that sell their wares in a wholly competitive market are not permitted to raise their finance from the market (as British Petroleum, which is 51 per cent owned by the Government does), then they cannot really be said to be operating in a fully competitive environment. The pressures are not all-pervasive.

So long as this remains so, and so long as the market competition faced by other nationalised industries is limited by technical factors (for example, electricity for lighting or driving machinery) or by the "ring fence" concept of nationalisation in which an entire sector is merged under a single board and protected by statutory monopoly powers, then there will always be a need for Ministerial intervention. Quite apart from political or social pressures, intervention will be needed as a form of monopoly control.

* *A Study of UK Nationalised Industries, NEDO.*

Colin Jones

New venture capital

THERE IS a growing body of opinion in the UK which considers that many of the country's economic problems are attributable to industry's preoccupation with invention rather than production. In other words, if more effort were put into capitalising on existing products and processes *rather than forever* seeking new ones to replace them before it is necessary to do so, a much better industrial performance would be achieved.

Such an argument would probably find little support among Britain's army of inventors who are trying to find the necessary financial support to turn their inventions into a commercial reality. For it is this venture capital *which can lead* to more productive capacity. Yet there is strong reason to believe that however much money may be currently available for injecting into industry there is still a dearth of "real" venture capital. By "real" one is talking essentially about medium and long-term funds for starting up companies and businesses rather than funds for development of a new product or process within a firmly established enterprise.

The impression that merchant banks and other financial institutions like pension funds have given of having plenty of money available for industrial investment has gained ground as more and more evidence has been submitted to the Wilson Committee. For they have been saying repeatedly that their problem is finding companies in which to invest, not finding the cash. *Indeed*, the Industrial and Commercial Finance Corporation is at present advertising widely how it currently has a record level of investments.

But this flurry of self-promotion—and other concerns like Charterhouse Development and Gresham Trust have been selling their wares hard in recent months—is much more related to development capital rather than venture capital. And the *real problem* is that not many institutions, and certainly not many merchant banks, go in for venture capital in a major on-going way. They may, as John Bowman, deputy chairman of Charterhouse Development, says: "Dip into" the market every now and then, but it is on an extremely piecemeal basis.

There are also "one-off" investments where an institu*tion with no commitment of any* sort to this type of risk capital will decide to invest in a new venture. A recent example of this is Hambro Life Assurance. It announced a little while ago that it is to back the development of a microwriter — a pocket-sized "typewriter" — developed by film director Cy Endfield.

Hambro Life's commitment will initially be no more than £¾m and it will get a 25 per cent *stake in* a company being set up to promote and manufacture the new product. It will also help in marketing and other areas. Hambro Life's rationale for its investment is that the microwriter could have important implications for storing, retrieving and communicating information—all of which are vital to running the fast expanding assurance company. But it has been made clear that the investment does not signify Hambro *Life's entry into the world of* venture capital investment.

Highlight

The closeness of the planned ties between Hambro Life and its investment highlight one of the problems associated with venture capital investment. It is not only high-risk, but as most institutions also feel has traditionally been the case, it is necessary for the financial backer to work closely with his investment to provide managerial skills which are frequently lacking in the inventor or entrepreneur being backed.

Most institutions feel that they do not have the necessary resources to maintain such links: nor could they afford to develop and maintain them. Their attitude tends to be that they remain forever interested in venture capital investment, but *hesitant about taking the step*, hoping meanwhile for a more sympathetic political attitude which could lead to tax changes that would enable them to sustain any losses more comfortably.

Mr. Bowman at Charterhouse probably speaks for many others in his business when he says that his company has "always felt that we would like to have a go at venture capital and we keep *coming* back to it. We haven't as yet found a way of doing it, but if incentives were great enough I think we would like to do it."

Technical Development Capital, a subsidiary of ICFC, has a major commitment to venture capital, with more than £16m invested over the past ten years and £955,000 lent in the year to March, 1978. The group commitment, however, is even greater as ICFC does some venture capital investment itself.

Jon Foulds, a director of ICFC, has detected some decline in the number of propositions handled these days and attributes it perhaps to a lack of willingness among people to risk launching into business, together with an unattractive risk/reward ratio.

Highlighting the need to remain committed to venture capitalism, he points out that one is working on a very long time-scale. Losses always have to be borne initially and "you may have to wait half a generation to get a profit." TDC's own experience has been one of a minority of investments having actually made a profit, with a fair number of failures among the remainder. Many are still gently moving along with the possibility of success.

Against this background, and with continued pressure for tax reform and lobbying for other incentives for small and medium-sized companies, it seems quite likely that ICFC may be taking stock of its view of venture capital and that some changes in the way it handles it may be in store.

An interesting point made by Gresham Trust is that backing small to medium-sized companies—let alone start-ups—is becoming very expensive in terms of the necessary preparatory and investigative work alone (for example, accountants' reports prior to making an investment) so that the pressure to choose the more established company to invest in gets greater.

Another factor influencing institutions has been the poor state of the stock market where new issues are concerned. Because it is no longer so easy *to back a company, help develop* it and then realise a capital profit by floating the investment off as a separate public company, investing institutions have had to become more resigned to being "locked in" to investments. Therefore, unless the investor can see there is a good chance of getting an ever increasing income from dividends there is little incentive to take a big risk with a new venture.

The outlook therefore seems to be that in terms of true venture capital, little real progress is going to be made until the incentives, particularly in terms of tax, are good enough. Whether they will have to be as good as most institutions lobby for, or whether they will be prepared to accept some form of compromise should the Government decide to help the situation remains to be seen.

Nicholas Leslie

Shifts in bank lending

THE SIGNIFICANT recovery in the economy which has started in the past few months has been reflected in a marked upturn in the volume of bank lending. So far, this has been mainly concentrated in sectors outside manufacturing industry, with personal borrowers and the distributive trades taking up increased borrowings presumably as a result of the considerable rises which have been seen in spending in the shops.

The rise in lending, in a period when the growth of the money supply was at levels well above the official target rates, was one of the main reasons for the Government's decision to impose new controls. These included, particularly, the reactivation of the so-called corset restraint on the banks, which had been dropped in August last year. The form in which it has been imposed, with a base going back well before the recent increase in the banking figures, means that the banks will have to take action to bring the level of their interest-bearing deposits back into line with the Bank of England's limits.

The impact will be felt mainly, however, among the sectors which have a low official priority as borrowers, including particularly the personal customers of the banks. Industrial customers remain at the top of the priority list, and if the economic recovery continues it can reasonably be expected that their demand for finance will increase. The banks will welcome a rise in their normal overdraft lending, which has been sluggish for a considerable time now; but they will also continue to promote the more specialised forms of finance, including medium-term loans, which have formed a growing proportion of their lending activities in recent years.

The latest breakdown of bank lending published by the Bank of England showed that there was an underlying increase of some £1.5bn during the three-month period to mid-May, nearly double the rise in the previous period. The actual rise, before allowing for seasonal influences, was £1.2bn. Within this total the service industries increased their borrowing by 9 per cent and the personal sector by 6 per cent. Customers in manufacturing industry, even after taking account of the drop in British Leyland's borrowing after its rights issue, showed an increase of only 3 per cent.

While the general level of lending activity to the banks' industrial customers has remained relatively low in recent months, however, there has in the past few years been significant change in the character of the loans being provided. *The traditional overdraft form of finance remains* the foundation of the banking business and a vital element in industrial finance which is unmatched for its flexibility and relative cheapness. But a growing proportion has been undertaken in the form not of short-term overdrafts but of medium-term loans in various forms which can now extend up to ten years.

The change has been important for the banks themselves. It has provided a vehicle through which they have been able to switch a substantial amount of the hard-core overdraft lending which previously existed, and which effectively *provided long-term capital for* the borrowers, into a form which is more suitable for the purpose for which it is designed. This gives the banks normally a rather better interest rate as well as ensuring a steady flow of repayments which even at times of the strictest credit squeeze provides a source of funds for new lending.

For the customer, the advantage of the various forms of medium-term lending lie in their offering a more appropriate method of finance for their financial commitments than short-term finance can offer. One of the points which has emerged most clearly from the evidence to the Wilson Committee on the financial institutions has been the general recognition of the need in industry for longer-term funds to support their investment programmes.

Ideal

Overdrafts are ideal for short-term funding, such as the finance required to support stocks of raw materials and finished goods, for seasonal finance and for the so-called self-liquidating transaction. But the purchase of new equipment or the construction of new premises require the support of longer-term funds which the *banks are increasingly able to* provide.

One particular form in which this type of finance is being made available, and which is not immediately obvious from the regular banking figures, is leasing. The leasing business done by the banks and their subsidiaries has been expanding rapidly in the past few years but does not show up directly in the lending to manufacturing industry; it is included in the quarterly breakdown under the "miscellaneous" lending category, which showed a rise of 7 per cent in the latest quarter. The London clearing bank evidence to the Wilson Committee recorded that the total assets held for leasing by the bank groups rose from £92m at the end of 1971 to £672m at the end of 1976. And the banks pointed out that "there is practically no restriction on the type of asset which can be financed by leasing."

LEASED ASSETS: ASSETS HELD FOR LEASING BY LONDON CLEARING BANK GROUPS*

December £m	1971	1972	1973	1974	1975	1976
Individual contracts	84	109	188	288	443	536
Consortium contracts	8	11	61	74	109	136
Total	92	120	249	362	552	672

Capital commitments for leasing contracts amounted to £163m in December, 1976. * Including subsidiaries not classified as banks.

Source: CLCB Statistical Unit.

INDUSTRIAL INSTALMENT CREDIT: LONDON CLEARING BANK SUBSIDIARIES*

December £m	1972	1973	1974	1975	1976
	307	402	496	529	540

Mercantile Credit figures are included throughout although the company did not become a clearing bank subsidiary until 1975.

* Including those not classified as banks.

Source: CLCB Statistical Unit.

The most important change in the banks, however, has taken place in the character of the lending they carry out on their own account. During much of the 1960s they were subject to tight credit restrictions and as a result had little opportunity to promote medium-term lending. The situation was altered with the introduction of the policy of Competition and Credit Control in 1971 and the removal of the old style of credit controls. Even before then, the banks had been carrying out a modest amount of medium-term lending through subsidiaries.

After 1971, they were freed from quantitative credit restrictions; and at the same time the expansion of the wholesale money markets over the following few years gave the banks access to a source of funds which allowed considerably greater flexibility in organising their own books. This in turn permitted a substantial expansion of medium-term lending to their customers.

These loans are normally for periods of five to seven years, though recently the banks have been increasingly prepared to consider terms of up to ten years. The terms include a repayment schedule; this can be tailored to fit the particular needs of the customer, often including, for example, a moratorium in the early stages if the project being financed has a development phase during which it will produce no income to finance the repayments.

Variable

The interest charged, because of the nature of the banks' own mainly short-term deposit funds, is normally variable. In a few cases, the banks may be prepared to offer fixed rates. But for most loans the rates will vary either at regular intervals in relation to the movements of money market and inter-bank rates, or in some cases irregularly in relation to the banks' own base rates.

The growth of this type of lending was underlined in the banks' evidence to Wilson—though unfortunately they have not taken the figures further than the end of 1976. They showed that total contractual lending to non-personal borrowers rose from £2.7bn in 1973 to £6.2bn in 1976.

At that time, they represented over 40 *per cent of the total* of the banks' lending in sterling and foreign currency to UK residents other than the personal category. And if the special loans under export finance schemes are included—these are technically lending to overseas residents—the proportion of term lending was 47 per cent.

The rapid growth has, however, raised the question of how much further the banks can go. They commented to Wilson: "because of the short-term structure of their deposit base, the clearing banks traditionally sought to employ their deposits in short-term lending and the majority of their advances were provided in the form of overdrafts." The growth of term lending had changed the structure of the lending portfolio. But "clearly there must be a limit beyond which a clearing bank group cannot commit resources on a term basis, while at the same time maintaining an extensive line of undrawn overdraft commitments available to industry and trade."

The banks questioned, therefore, whether the recent growth of term lending could be maintained in a period of economic expansion when the demand for overdraft finance was rising rapidly. The path on which the banks have embarked cannot now be reversed: they are committed to term lending and to the considerable growth of their own advisory services to industry, which has partly been associated with it. They may need to look, however, for new ways of supporting further expansion.

Two main suggestions have been put forward for dealing with the problem if it arises in the future: the establishment of refinancing facilities with the Bank of England, or finding new ways for the banks themselves to raise longer-term deposits: perhaps through the issue of floating rate notes. So far, the issue has not come to a head, but some hard thinking may have to be done if the banks intend to keep up their involvement in the medium-term loan business.

Michael Blanden

Leasing and HP options

INDUSTRY HAS several options when buying specific items of capital equipment, but one method which appears to be gaining increasing acceptance is leasing. Figures from the Equipment Leasing Association (ELA) show that in 1977 members purchased £675m of new assets for leasing to industry. Members of the ELA account for about 90 per cent of all leasing business so the advance of over 50 per cent in new leasing business against 1976 is representative of whatl s going on in the industry.

But while leasing has caught the eye, traditional instalment credit—or hire purchase—has not lagged far behind. Figures compiled by the Department of Trade and Industry (DTI) indicate that new business last year increased by 35 per cent to £2,072m. Of that the Finance Houses Association estimates that £1,056m was represented by credit to industry, also showing a gain of 35 per cent.

So these two forms of finance expanded more rapidly than industrial investment as a whole, which grew by about a quarter. As both leasing and instalment credit normally relate to specific items of capital equipment the figures do seem to indicate that industry has been investing in equipment, but whether this is "new" equipment or replacement is impossible to say.

Material

Though the ELA plays down the part tax concessions make to their new business, tax planning must be a material factor in the UK.

Under a hire purchase loan the borrower will own the equipment at the end of the agreement and for tax purposes he wil be treated as the owner from the start. Under a leasing contract ownership rests with the lessor (or lender).

The point as regards tax is that with an HP agreement the borrower who is operating the equipment is able to take advantage of capital allowances to offset against tax. That is fine but a large proportion of industrial companies are paying little by way of mainstream corporation tax. This position may change, but for the present some companies have no use for further capital allowances.

The lessor, perhaps a finance house, will be able to use the capital allowance to set against his tax bill as he is the legal owner of the equipment. The user, or lessee, benefits because the lessor will pass on the benefit of the tax allowance in the form of lower rental charges. So in a way the lessee is taking advantage of tax benefits that he would otherwise be unable to utilise.

The leading industry has become unpopular in one respect. Some fringe elements of the industry have been offering vehicle leasing schemes in an attempt at tax avoidance. These more blatant operations have come in for a fair amount of scrutiny from the Inland Revenue. Recently it started examining the figures of Harold Perry, the Ford motor dealer.

But car leasing accounts for less than 10 per cent of all leasing business, and the more dubious elements account for only a small proportion of that figure. In 1977 cars accounted for £57m of new assets out of a total of £675m.

The largest single category of leasing was plant and machinery where there were over 9,400 new contracts worth nearly £200m. Computer and office equipment followed with new assets of £164m, commercial vehicles third with £114m, and then came ships worth £91m.

At the end of the year ELA members had contracts on assets at original cost totalling £2.38bn.

There are basically two types of lease — finance leases and operating leases.

The finance lease is where the lessee has possession of a specific item owned by the lessor. Normally regular payments are made to the lessor in the form of rental which will cover the cost of the item plus an element of interest charge. The full responsiblity for maintenance, insurance, etc. falls on the lessee, and assuming that regular payments are made in line with the contract the lessor cannot accelerate payments or terminate the lease prematurely.

The operating lease tends to apply where the equipment concerned has a much longer life. The lessor who may well be the manufacturer of the equipment, does not rely solely on the rental payments for his profit.

Legality

But, of course, with a lease ownership at the end of the contract still rests with the lessor —it must in order to preserve the legality of the allowances. At the end of the lease the equipment may be sold — the *lessee may get a proportion of* the sale price — or in the case of equipment with a long life a secondary lease may be established. This is usually for a fairly nominal sum as the lessor has already basically made his profit on the deal.

Apart from ownership, the other major difference between leasing and instalment credit is that leasing offers 100 per cent finance. A company can take control of an asset without any lump sum payments to cause cash flow problems. A normal hire purchase contract would probably require a deposit of, say, 20 per cent of the purchase price. With leasing the lessee is, he hopes, paying for the rental out of the profits he is earning from the new equipment.

Nevertheless, as the figures show, instalment credit is still growing rapidly. The Finance House Association (FHA) carried out a one-off exercise in 1976 on new business and updated it in 1977. The base of its statistics are the DTI figures though this may understate the position.

The DTI's results are based on a sample return established at least a decade ago. The FHA reckons that in all cases the feed back from its members shows that they are doing more business than the DTI statistics would suggest.

Nevertheless based on these Government figures and interpreting the breakdown into categories from its own members—about 90 per cent of the industry—it has come up with the following results.

In 1977 there was £2,072m of new business compared with £1,531m in 1976. Of that industrial and commercial accounted for £1,056m (£781m). The breakdown does show some significant differences with the leasing industry where cars only play a relatively minor part.

New cars for industry and commerce accounted for £293m in 1977 compared with £201m in 1976, and commercial vehicles amounted to £327m *(£246m). Industrial* plant and equipment took third place at £245m (£199m). So as in the private sector, there is still a bias for using HP for cars, though of course the breakdown for lending to the public shows a significant bias towards used rather than new cars.

The FHA claims that one of the main attractions for industry in taking out HP is that the terms are certain, as against *relying on bank overdrafts*, for example. The instalment credit agreement is set for a fixed period at a fixed rate of interest and at the end of the contract ownership of the equipment automatically passes to the operator.

But, as with leasing, flexibility is possible. In the case of agricultural equipment, it is possible to gear the pattern of repayments to the profitable use of the machinery on HP or lease. Or a commercial vehicle operator may be able to *accelerate his payments in the early* days when maintenance costs are less.

Terry Garrett

Specialised lenders seek custom

IT IS ironic after the recurrent claims that the City is failing down on its job of funding industrial concerns one of the chief problems of the principal two institutionally-owned financing bodies, Finance for Industry (FFI) and Equity Capital for Industry (ECI), has been to find adequate outlets for their activities.

The two bodies were set up by different sectors of the City community to fill supposed gaps in the flow of finance to nourish industrial development. FFI, the product of a merger in late 1973 between Finance Corporation for Industry, which provides larger loans, and Industrial and Commercial Finance Corporation, a long-established backer of smaller firms, is owned by the big banks and the Bank of England. ECI was formed in 1976 by more than 360 insurance companies, pension funds and other institutions, including FFI, in a controversial joint response to allegations about the scarcity of resources to supply share capital to viable companies unable to raise it on the market; it caters only for those needing equity-type funds.

In his latest annual statement earlier this week Lord Seebohm, chairman of Finance for Industry, highlighted the rivalry for suitable business which has been a feature of life for the specialised investment institutions, including the State-owned National Enterprise Board, during the recent recession years. "Competition on all fronts has expanded during the year," he said. And, underlining the rivalry FFI faces from those who are its owners, he added: "The clearing banks have steadily increased the length of their loans to industry and commerce and have moved quite a long way into our traditional fields of investment."

Scrutiny

At a time when the needs of small businesses are receiving plentiful scrutiny, the ICFC side of FFI has, however, had an active year, having invested a record £50m in the 12 months to March 1978, double the previous year's figure, in smaller companies. Thus FFI in its various aspects invested and lent a peak total amount of £162m in 1977-78, making £650m since its formation in November 1973, and earned a nearly doubled pre-tax profit of £22m.

But through its Finance Corporation for Industry arm, which makes its larger loans, FFI lent less last year than in 1976-77, partly because companies were generally well supplied with cash. It advanced only £40m. compared with £66m in the previous year, bringing its total of bigger loans since 1973 to £283m.

Useful

This is far short of the £1bn of larger-scale medium-term loans which many thought, in the cash-famine days of early 1975, would be needed quite quickly. However, it has provided useful financing for a number of companies, recent borrowers having included William Collins, Record Ridgway and Redfearn National Glass.

The bulk of the loans are taken on variable interest rate terms, the rate charged being around 1¾ per cent above the London inter-bank offer rate (LIBOR). Periods of borrowings can extend up to 15 years or so. If anything, the current year since March has shown a slight increase in borrowing demand: it remains to be seen how far the new credit squeeze will bring more borrowing applications to FFI.

Equity Capital for Industry, now about two years old, though it has been fully operational for less than 18 months, has experienced in full measure the difficulties of steering through the narrow gap where there is a need for equity funds to finance viable concerns which cannot raise capital elsewhere.

After the traumatic experience of seeing its first investment, of £1.7m, evaporate when Bond Worth Holdings, the carpet concern, failed with losses of £20m, ECI has proceeded very sedately, so far having made only four other investments, totalling £6½m, in UBM Group, Renwick Group, James Neill Holdings and Brittains.

Its circumspect attitude is shown in the analysis by its chairman, Lord Plowden, with the recent report and accounts, of 33 "substantive" applications considered to date. Apart from those where an investment was made, 17 cases were "declined on the grounds either that they had insufficient prospects to justify an investment or that the potential return did not match the risks involved."

The result of this caution is that at the balance sheet date on March 31 1978, the organisation had some £6½m of investments and £34¾m of cash and near-cash assets. One of the inhibitions on the making of more investments has been the difficulty often experienced in obtaining what are considered necessary management shake-ups. It is believed that up to six more cases would have been taken on to ECI's books if suitable arrangements for strengthening management could have been concluded. "The problem is how you can make such changes before you write the cheque" remarks Mr. Barrett.

Alan Barrett, the chief executive, has devoted much attention to identifying the area in which it can most fruitfully help companies, in some cases by offering funds on terms more favourable than are available through alternative routes, such as rights issues.

It identifies its "catchment area" as companies with market values of between £1m and £40m, and the size of the equity stake it would seek as 10-25 per cent, with likely investments in the range of £¼m-£4m. Some 150 companies in this broad category are being studied in the context of their cash and other circumstances as possibly suitable cases for ECI's investment treatment. "In about half of these cases" says Lord Plowden "there are special factors, for example, a depressed share price, large family holdings, lack of dividend cover, which would make recourse to the market difficult and approach to ECI more likely."

When ECI backs a company, it may or may not put a director on the Board, but in any event it arranges for a special flow of management information to it. In return for being put in this preferred position, it agrees not to deal in the shares or to sell its shareholding for a specified period, probably three-to-five years. This provides a measure of stability for the company.

One of ECI's favourite thoughts at the moment is that it should inject new capital into companies against a placing with it of shares priced at a smaller discount than would be necessary to make a rights issue say, as little as 6-8 per cent below the market price, compared with up to 25 per cent for rights issues. This can be a controversial method in the eyes of other shareholders; on the other hand, in companies dominated by families unwilling or unable to stump up large sums of cash for rights issues, it may be a welcome arrangement. ECI is discussing with the Stock Exchange whether the Exchange's normal £1m limit on share placings can be made more flexible.

By no means all its sponsors are yet satisfied that there is a unique long-term role for ECI to perform. But they appear to be happy to give it a few years to show its paces and prove what it can do.

ECI limits it own activities to medium-sized or small-to-medium companies and does not claim to be interested in those at the bottom of the size league. That is rather the province of FFI's Industrial and Commercial Finance Corporation subsidiary, and the recent FFI report shows just how small—down to £5,000 — are the amounts which ICFC is prepared to invest.

This is how Lord Seebohm puts the matter: "There was a considerable increase in the demand for ICFC's facilities during the year ended March 31, 1978. ICFC considered over 1,100 serious applications and made offers totalling £89m to 838 small businesses . . . the Corporation's actual gross investment in loans and shares of £50m was a record and compares with £26m for the previous year. In total, advances were made to 518 customers, an average investment of £97m. At the smaller end of the scale, 307 customers were advanced amounts of between £5,000 and £50,000."

Margaret Reid

Pension and life fund involvement

PENSION FUNDS and life assurance companies have for many years been one of the main providers of medium and long-term finance. In the future their role is almost certain to become dominant as pension business continues to grow and the activities of the private investor diminish. Pension funds now have an annual cash flow running at about £3bn and likely to accelerate as the effects of the new pensions legislation come through, while life companies have a cash flow not far behind this figure.

Quiet

Until recently, the means by which such financial institutions made funds available and their methods of investment were kept very quiet. Fund managers preferred to operate in an absence of publicity. The advent of the Wilson Committee has changed this scenario, possibly for ever.

The financial institutions had to explain to this committee their function in providing funds for investment. They had been accused of withholding such funds from industry at a time when money was needed. Not only did the evidence presented refute this charge. It went into great detail to explain the various ways in which pension funds and life companies invest their assets.

The main point to come through was that the funds are neither property speculators nor manipulators of the stock market. The investment pattern of pension funds and life companies is determined mainly by the liabilities of the funds. Pension schemes have very long-term liabilities that are linked to inflation since pensions are now universally based on final salary. Life companies' liabilities, while shorter than those of pension funds, are still very long. The life business tends to have a strong element of monetary guarantee, but on with-profits business the policy-holders' expectations as to bonuses lead to a pattern of declarations that will rise with inflation. Life companies also have considerable pensions business.

This means that pension schemes have to hold the majority of their funds in assets that will maintain their value in real terms, such as equities and direct property holdings. Life companies will hold a much higher proportion of fixed interest stocks to cover their monetary liabilities. Nevertheless they will still hold a significant proportion of assets in equities and property for their growth prospects.

Investment in ordinary shares can take two forms, direct and through the secondary market. The general principle in raising fresh equity capital is that it should in the first instance come from the present shareholders by means of a rights issue. Since the end of the 1974 bear market considerable sums have been raised by this means. The pension funds and life companies have for the most part taken up their rights. It represents in most cases a comparatively cheap method of acquiring equities.

The other method of raising equity capital direct is through a placing on the market. This usually applies to private companies seeking a Stock Exchange quotation but not wanting a public issue. Sometimes new lines of stock are placed with the financial institutions.

The secondary market, however, still remains the chief source of equity investment for the financial institutions. They have taken over the role of the individual investor in providing an active secondary market for equities, without which there would not be a flourishing primary market.

The financial institutions have been extremely active in the property market in the past few years, with a growing involvement in property development. The long-term nature of property as an investment fits in well with the long-term liabilities of pension funds. Although some funds got their fingers burnt severely in the slump in 1974 and 1975, the majority of funds have continued to be associated with property developments. Those institutions with a long history of association with development have acquired considerable expertise and now look to the development side for the majority of their investment in this sector.

Another method of providing directly for capital is through a sale and leaseback arrangement. This provides funds to the industrial company while giving the institutions the property investment for their portfolios.

Cover

One significant feature in property development by institutions is the growing willingness to engage in industrial development. At one time institutions were very reluctant to participate in development through equity participation. If connected at all, they preferred it to be on a mortgage basis—the advance being a fixed-interest investment with the security on the buildings with a large margin of cover. The rise in interest rates put a stop to this method of finance and the institutions perforce had to get directly involved with an equity stake.

Before the era of high interest rates the institutions were quite willing to make funds available to companies on a fixed interest basis—debentures, unsecured loan stock or mortgages. It fitted in well with the liabilities and the security was higher than with equity participation. The high rates of interest discouraged companies from raising capital by this means. But the institutions in their evidence to the Wilson Committee indicated that they would only be too willing for a resumption of this method of financing, but pointed out that it would need interest rates to fall dramatically before this could happen.

There has been considerable debate concerning the role that the institutions should adopt towards the management of companies in which they are concerned. They are collectively the largest shareholders in many companies and they are the largest providers of funds for expansion and development. In this era of complete planning, many feel that the institutions should play an active role in the early stages of development planning by companies. Mr. Len Murray referred to this aspect when he addressed this year's annual conference of the National Association of Pension Funds.

But the institutions have made it very clear that they are very reluctant to interfere with the management of companies. They feel that they are not qualified to do so, even if other august bodies feel no such inhibitions. But institutions are taking a much more active part in monitoring the affairs of companies, talking with management and influencing changes where they consider necessary. But they prefer to do this behind the scenes and consider that making a lot of public fuss over what they are trying to do would be counter-productive.

Nevertheless, the impression coming through is that the institutions still do too little too late. There is a feeling that had the institutions acted earlier, some of the troubles that have affected companies like Spillers, Reed International and Westland could have been minimised or even avoided. But this present move towards being constructive when companies run into difficulties is a big step forward from the previous negative attitude, which was to sell out at the first hint of trouble—often before anyone else appreciated that there was trouble.

Eric Short

Stock Exchange issues at low ebb

WHILE THE Stock Exchange remains an important source of medium and long-term finance the amount of corporate money raised has been declining gradually from the peak figure of 1975. Offers for sale have become a rare event and the the amount raised by rights issues is dropping away sharply.

This trend seems to have accelerated in the current year, although there has been a better sprinkling of offers for sale. For the first six months of 1978 the amount of money raised through rights issues came to around £245m compared with a total of over £380m for the corresponding period of 1977. The total amount of new money raised by the issue of marketable securities for the first six months was £426.3m compared with £755.6m in 1977, according to figures compiled by the Midland Bank.

The new issue queue at the Bank of England spans a couple of months or so but there are a number of vacant dates within this period—so it looks as if the total for the full year is going to fall well short of the previous figure.

The financial sector has been the most active in the rights field, contributing nearly half the total in two issues. Midland Bank raised £96m in January while Alexander Howden came to the market for £26m in May.

The Midland Bank issue took a number of people by surprise, coming less than three years since the last rights issue. While the market at that time was expecting a major issue from the banking sector Barclays seemed to be the most popular tip. Anyway Midland did have one of the weakest balance sheets in the banking sector, while some of the recent acquisitions appeared to have been made at an excessive price. The bank made only a modest improvement in the dividend but the profits estimate for the previous year was slightly better than anticipated.

Barclays eventually came to the market for funds in June, although the method used has brought a certain amount of criticism. The deal proposed by Barclays is basically a three-cornered affair which effectively means the bank is issuing 28.3m shares to raise £85m. The intricate deal involves Barclays purchasing the Investment Trust Corporation for shares, underwritten at a discount of 10½ per cent to the then market price, and then to sell on the portfolio at asset value to a large pension fund for cash.

The objection from major shareholders in Barclays is that they are being bypassed while at the same time they incur some equity dilution. Barclays is effectively giving away some £10m to ITC shareholders, being the excess share value over the amount of cash receivable.

A straightforward rights issue would have had to have been made at a bigger discount than achieved on this deal. Moreover, if Barclays had used the traditional method, for what is after all a relatively small amount, then it would not be in such a strong position to come back to the market for a major issue for some time.

Anyway, if the deal goes through successfully then it could encourage others to use this funding scheme for the pension funds have already shown their appetite for the investment trusts.

For the newcomer wishing to come to the market for funds there have been some encouraging signs. Indeed the results to date show that the market is hungry for new blood if the company and the area of operation offers exciting possibilities. Fashionable areas at the moment include oil and gas, mining and high technology.

Eurotherm proved this point is no uncertain fashion. The offer for sale in Eurotherm, a company specialising in temperature controllers and process control systems, involved 2.85m Ordinary 10p shares at 100p each. The track record of the company was short but very dramatic and the current product range offered just the right sort of prospects.

Since other high technology companies already quoted were on earnings multiples well into double figures this issue, where the prospective p/e was under ten, looked very attractive. The success of the issue, however, must have been somewhat embarrassing for the issuing house. About £245m was put up (the issue was 85 times subscribed). When dealings started in the market it was just like old times (the height of the new issue boom in the early 1970's), and the shares touched a premium of 46p in initial dealings. The shares have since moved up to 166p.

Impressive

Before the Eurotherm issue Saga Holidays came to the market. Specialising in holidays for people aged over 60, the company could hardly be described as an operation in a fashionable area. Nevertheless the profit record was extremely impressive, with profits rising from £89,000 to £1.32m in the five years preceding the issue. For a growth company a 7.1 p/e at the offer price of 105p seemed reasonable enough and the market showed its enthusiasm for the right sort of newcomer with the offer more than 12 times subscribed. In early dealings the shares went to a premium of 15p: the current price is around 143p.

A further pointer to the strength of the market for new issues will come from the Hunting Petroleum offer for sale. The issue comes from the same stable as that for Eurotherm — Robert Fleming — but since it is not really a new issue (the company is basically the oil and gas interest of the already quoted Hunting Gibson empire), any major success here will be a strong indicator. Hive-offs traditionally have not been greeted with that much enthusiasm in the market.

These few issues apart there is a growing reluctance on the part of the small private company to obtain a public quotation these days. The cost factor is becoming prohibitive, while public life does not offer the glamour to the family-controlled companies it once did. Unless the company is of a sufficient size to generate a reasonable market the shares tend to get overlooked. But the pressures on the management to perform are still there, while current legislation, namely dividend control, has proved an acute problem.

In the circumstances it is no real surprise that more companies are not attracted to the market. Indeed there even seems to be a trend for public companies to revert back to their private status—something which must be giving the Stock Exchange cause for concern.

Conditions for raising long-term fixed debt in the market remain very bleak. Interest rates continue to be very volatile and the rates needed to be offered in the market to ensure success are unfavourable, compared with those obtained outside the market, particularly with the clearing banks.

Fairview Estates raised money by way of a rights issue in debenture stock but the response was not very encouraging. At the time of the announcement the stock was yielding a reasonably attractive 13.85 per cent but the rates in the market then went against the company and the issue was eventually left with the underwriters. It is doubtful whether the market will see any action in this area for some time.

David Wright

Management

The diversification gamble that paid off for Ferranti

After Wednesday's article on Ferranti's general financial recovery, **Kenneth Gooding** looks at how the company's Chadderton factory successfully moved into container carriers to pull itself out of trouble.

FERRANTI'S custom-built transformer factory at Chadderton, near Manchester, which in 1974 took the brunt of the blame for the group's financial collapse—probably unfairly—is today bustling with profitable activity.

Not only have jobs been saved when once a gradual run-down and closure seemed inevitable, but Ferranti now has a new mechanical engineering subsidiary with products that have world leadership in their particular, if small, niche of the materials handling market.

Ferranti Engineering Ltd. (FEL), as the new entity is called, is making straddle carriers: large, £150,000 machines which shift containers around the docks by moving over them on extended "legs" and clutching them to their bellies.

Not many modern UK plants have the height to cope with the manufacture of these tall machines but the Ferranti factory is ideal.

It was built in the 1950s to make large transformers and extended during the 1960s at the time when the electricity supply authorities were promising major orders. Included in the expansion was probably the best test centre for transformers in Europe.

The collapse of the transformer market in the UK which followed the oil crisis seemed to signal the end for the plant. Its transformers were of a high specification to match the CEGB requirements, and this made exporting a difficult proposition, particularly at a time when overseas markets were in recession and extremely competitive.

When Bruce Calveley, now 45 and managing director of Ferranti Engineering, moved to the Chadderton plant from another part of the group in May 1974 his immediate task was to stem the losses. He took an approach which is not uncommon. "I slammed back on overheads and people as much as I could at the time. We stopped making high-voltage test equipment where orders came in large lumps. I concentrated on getting the debris — fixed price contracts taken at very low prices — out of the way as quickly as possible. At that time of very high inflation every delay added to the growing losses on those contracts."

In September that year the Ferranti group's financial collapse became publicly known and this added to the "confidence gap" the plant had to cope with. Says Mr. Calveley: "It is of great credit to the guys here that we never ceased trading and still took in new business." This was at a time when the plant's possible closure was the subject of heated debate between company, unions and government for months on end.

Industrial relations at the plant were still reasonable in spite of the piecemeal redundancies which had been a feature of life there for some time and the many management changes which were taking place.

Mr. Calveley had to push up turnover at the plant if it was to survive but "in no way did I want to get any deeper involved in the heavy electrical industry and certainly not in transformers."

Fortunately, the factory had always been responsible for its own metal fabrication work and so the skills were available on which to build a mechanical engineering business.

Mr. Calveley formed a small team which had as its objective the identification of suitable products within a year, and the introduction of those products to the factory within 18 months. The aim was for the new products to be making a financial contribution by the 1977-78 financial year.

"That was too short a timescale. Ideally we should have given ourselves three years. But we just did not have that amount of time."

However, the team was totally devoted to its task: the members were not simply managers who were working on the project part-time. "My experience is that if you do it that way, with part-timers, nothing happens," maintains Mr. Calveley.

Another answer would have been to bring in outside consultants. "I have nothing against consultants but to turn your future over to people who will work with you for only two years is a mistake. It was understood that the team we formed to do the research would make up the nucleus of the Ferranti team for the new products. This made them completely answerable for all their recommendations and actions."

It was apparent from the outset that, because of the time scale, Ferranti needed an established product which would involve either a licensing deal or an acquisition. It was also clear that manufacture of the product would have to be removed from its existing facilities to the Ferranti plant—which suggested the chances of retaining the existing workforce were minimal.

"We also decided we would not try to manage the new business with all our own people but would need the key people already with it. We hoped that by keeping these people we could slot the manufacturing side into our plant quickly and keep the existing marketing network and market share going."

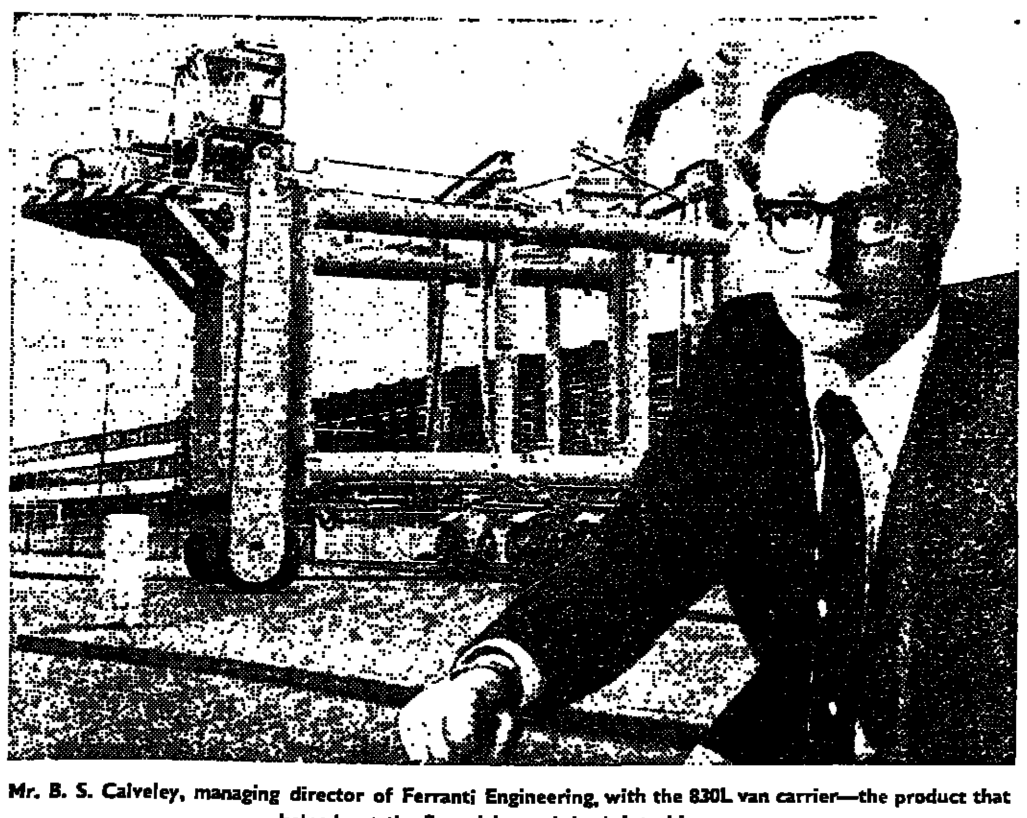
Mr. Calveley insists: "The most important factor we had to consider was: Could we sell the product? Only then would we ask: Can we make it?"

Ferranti sent one of the research team to the U.S. to seek out American companies which might be willing to sell a UK subsidiary. In the event, it did settle on a deal with an American group. But it just happened that the talks were initiated in the UK.

Clark Equipment, the forklift trucks concern, was in the process of running down its materials handling manufacturing operations in Britain and revamping the marketing side. One part of those operations was the manufacture of straddle carriers—Clark describes them as "van carriers."

The attraction for Ferranti was that making the carriers was a batch and not a volume business; they are made in dozens, not hundreds, a year. Also it was mainly an assembly operation, "which meant we could walk before we would have to run by first buying-in parts and only gradually moving downstream to make more of the components ourselves."

On the key "can we sell it?" point, Clark was willing to continue marketing the Ferranti-made machines through its established outlets world-wide and the complete Clark van-carrier sales team was willing to move to Ferranti.



Mr. B. S. Calveley, managing director of Ferranti Engineering, with the 830L van carrier—the product that helped put the financial punch back into his company.

At this time Ferranti as a group was being given financial support by the National Enterprise Board. But for the Clark deal Mr. Calveley was able to get a £1.5m Department of Industry three-year loan. "The money would have been cheaper if we had got an ordinary bank loan—but the Department of Industry was willing to back us on a long-shot diversification. What bank would have been willing to do that? After all, most attempts at diversification fail, usually because the companies concerned simply do not have the management to cope."

The transfer of the van carrier operations to the Chadderton factory involved a massive physical upheaval. The transformer operations were condensed into half the space they had previously occupied. That all took place in the early part of 1977 and by September, when there was still much reorganising to be done, the plant was turning out three van carriers a month.

In April this year, after prolonged negotiations, Ferranti Engineering strengthened its position in its chosen new field with the purchase of the Rubery Owen Karritainers operations. In August this year production of Karricon and Karrilift container handlers will be moved from Warrington to the Ferranti plant.

One aim of the diversification programme was to double turnover at Chadderton with only a marginal addition of people. "But we had to accept that we would be diversifying and would need separate management teams, sales teams and design teams for each product. It wouldn't work any other way."

At the peak of activity as a specialised transformer operation, the Ferranti plant employed 1,600 people. Now there are 950 but that includes perhaps 150 who are responsible for functions once carried out at corporate headquarters when Ferranti was still a centralised group.

Turnover was £8m before the new business was added and this finacial year it should reach between £18m and £20m, which includes the Karritainer business.

In January last year Ferranti Engineering also bought Alpha-Accord, an agricultural equipment concern. Mr. Calveley maintains his interest in both food and agricultural machinery stemmed from the assumption that "whatever the economic conditions, people keep on eating."

The idea is for Ferranti to use its engineering expertise to develop Alpha's embryonic coupler and unidrive, a front-end power take-off device which fits all standard tractors. "This is a volume product and represents a modest investment. Its success or failure will not determine the success or failure of this plant as a whole. But if it is successful it could be a very interesting product to have around.

Transformers now account for only one-third of the plant's turnover. In spite of the continuing rocky state of the transformer market, the slimmed-down business is looking good because, now that the overheads are shared with another operation, it can charge prices that would have been unacceptably low four years ago.

Forecast

It was forecast that the plant would produce 36 Clark van carriers last financial year and it actually achieved 35. This still gave Ferranti Engineering about one-third of the world market which is taking between 120 and 130 uuits a year.

There is very little overlap between the Clark and the Karritainer carriers. The former go mainly to large ports and docks while the latter can be found in smaller docks and terminals.

Both ranges need updating and Ferranti has one new machine due to be lanched in August and more in the pipeline. Mr. Bill Cundy, general manager of the container handling division, maintains: "We want to get involved in all sorts of container handling—not just docks." That means the development of handlers for inland container bases, for rail terminals, and for the steel and rubber industries.

So there is room for plenty of organic growth if Ferranti Engineering is to establish itself as clear world market leader in container handling. (Its main competition comes from Peiner of West Germany, Nellen of Holland, Mitsubishi and TCM of Japan, Valmet of Sweden, Belotti of Italy and in the U.S. Drott and Raygo Wagner).

Mr. Calveley suggests that its acquisition days might not be over. "There are still products and sectors in materials handling which interest us and we would be foolish if we say a strategic opportunity now and missed it."

Ferranti Engineering made a small trading profit last financial year. Reorganisation costs will keep profit low for another two years at least and Mr. Calveley stresses that the job of revitalising the plant is far from over.

"The blokes on the shop floor worked really hard to introduce the new products and did a magnificent job. They know, though, that we are still not out of the wood. We are still developing a business and it will take a lot of hard graft from the workforce as well as management to build on what we have already achieved."

Costs that go unseen

THE HIGH failure rate of management by objectives schemes has been caused by the lack of guidance within many companies about the selection of primary objectives, itself a result of lack of precision in the MBO literature.

This is just one of the damning examples in a newly published review of how companies have applied (or misapplied) a wide range of well-known management techniques.

Entitled "High Performance Management," and written by an engineer with many years of experience in industry, it ranges across the field of personnel, finance, production and sales, as well as planning and general management. Its great virtue is that, unlike most management books, it concentrates on the better use of established techniques, rather than their replacement by supposedly miracle-working new fashions.

Eminently readable by the non-expert, the book nevertheless tends towards over-simplification and sensation in its extensive discussion of macro-economics. For example, the author could surely have chosen a less extreme source than the Hudson Institute for his warning that Britain is falling behind its European neighbours in the wealth-creating process.

These drawbacks should not detract from the book's value as a critical review of the management literature of the last 25 years.

"Too many companies," the author says, "are content to carry on year after year with a return on capital of 5 to 7 per cent, which the Inland Revenue reduces to a half . . . The frequent complaints one hears, concerning margins being squeezed by rising costs, are largely due to the tolerance of conditions which can be removed if managements are prepared to take the necessary action."

Inadequate costing is a common problem, the author claims. Companies often add, say, 25 per cent to costs in order to establish prices for quotations, yet the annual accounts will often show only 5 per cent or so profit on turnover, "due to the lack of financial control on operations."

High Performance Management, by Victor Smith. Gee and Co. (Publishers), 151 Strand, London WC2R 1JJ. Price £3.75.

Christopher Lorenz

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● MACHINE TOOLS

Machining time cut

CONTROLLED three dimensional machining by simultaneous adjustment of the machining dimensions in all directions is offered by Charmilles with its Isocut E20 accessory workhead. It enables users of medium sized spark erosion machines to halve production times and to make substantial savings on electrodes.

Faster finish machining of cavities with tapered or parallel sides is possible and typical machining times are one fifth those of conventional EDM techniques, Charmilles asserts.

Fine surface finishes can be produced using a normal maximum of two electrodes. In many cases one electrode is adequate.

A final machined dimension is provided, independent of the electrode dimension. The form produced in the workpiece results from the electrode shape and its programmed movement.

Machining of deep blind holes thus can be done without flushing problems and identical surface finishes and clearances are obtained at the sides and front of the electrodes.

Cavities having parallel sides or with positive or negative taper can be produced using a simple button electrode, and re-entrant cavities and grooves can be machined without difficulty. At the same time round holes can be precision machined within 5 microns.

The Charmilles Isocut E20 workhead will fit existing Charmilles machines in the E420, D20, D420, DIT ranges as well as competitive equipment of similar size.

Charmilles (UK), Gloucester (04522) 4832.

● ACCOUNTING

Running a hotel by computer

FIRST installation of a computerised hotel management system called CHAMPS, designed by Marcol Computer Services, has been made at the Penta Hotel in London.

CHAMPS stands for "computerised hotel accounting and management processing system" and makes use of a series of software modules that can be easily tailored and later modified by the user to meet the requirements of a particular hotel. Marcol emphasises that, unlike many hotel systems there is no question of the management and staff having to alter their way of working to suit the machine.

The Penta installation makes use of a pair of Data General Eclipse S130 computers connected to 15 visual display terminals installed in the reception desks, cashier's area, accounts office and the housekeeper's office. There are also five associated Tally printing terminals.

As each guest arrives his data is entered into the store via the keyboard on the VDU and the display will show a room to meet his needs (although if he rejects it another will be produced). The display can be made to show the status of any room at any time.

A guest's bill is automatically incremented in the store as his stay progresses; at the Penta a somewhat unusual feature is the coupling of a Tiger telephone monitoring system and the drinks dispensers in the rooms. Guests can make calls from their rooms without going through the operator, or take a drink, and the cost is automatically accounted for.

At check-out a detailed account is available within seconds.

For management, CHAMPS is able to produce various listings and analyses. For example, it can periodically show the sources of business attracted to the hotel, or give a breakdown of the nationality of guests. Other details the system will provide include an analysis of commissions payable to travel agents, a credit limit list of guests and a daily accounting of all hotel business.

More from Marcol at 60, Queens Gardens, London W2 (01-402 9353).

● MATERIALS

Protection of pipe couplings

UNPROTECTED mechanical couplings for joining underground water and gas pipes can corrode both by natural attack stemming from the soil acids, and stress corrosion from steel bolts in the couplings which are placed under tension to hold the coupling faces together.

Raychem is offering an adaptation of its radiation cross-linking technology to heat-shrinkable plastics sleeves which are placed around the couplings and—by heat application—shrunk around the components so tightly that there can be no ingress of moisture over the lifetimes stipulated by the UK gas and water authorities, among others.

The sleeves are one-piece, thick wall, pre-coated units, the outer part being of cross-linked polyethylene and the inner part a thixotropic sealant/resin which is also activated by the heat needed to shrink the sleeve into place. This can be provided with a propane or butane torch.

A stainless steel fastener completes the joint, for which a life expectancy of 50 years is given.

Application is to spun iron, steel, pvc and polyethylene pipes, including those pre-coated with a protective plastic. Various sleeve designs cater for a series of couplings, bolted flange assemblies and welded joints and application times run from four to 14 minutes depending on pipe sizes and coupling types.

Raychem, Chemelex Division, operates from George V Place, 4 Thames Avenue, Windsor, Berks. SL4 1QP. 075 35 56111.

● SAFETY & SECURITY

Control of medical gases

IT IS claimed by the Department of Health that its required standards for the central distribution of piped medical gases within British hospitals are probably the highest in the world . . . part of the equipment specified is an alarm system to indicate to engineering and medical staff the status of various gas, vacuum and compressed air systems.

Since the location of the points may be scattered throughout the hospital, the alarm requirement is rather different from normal "high reliability" system—i.e. information is to be given from the various plants to the system and this is to be visually and audibly indicated at locations possibly many hundreds of metres apart.

Two years' development and extensive co-operation between Applied Pneumatics and BOC Medishield Pipelines has resulted in a new alarm called the Mediplex which distributes information on a basis using only four wires (conventional alarms use up to 14 wires) while still completely conforming with the requirements of the DoH. Maintenance requirements are kept to a minimum and extensive use of plug-in printed circuit boards facilitates "instant" service if required. The system includes a communication unit which is said to greatly reduce commissioning and routine test times.

Further from Applied Pneumatics, Hertfordshire House, Wood Lane, Hemel Hempstead, Herts HP2 4SU (0442 47311).

Beam units withstand deep freeze

PHOTO ELECTRIC equipment from Sacol Controls, Commercial Road, Totton, Hants, can withstand temperatures as low as minus 40 degrees C, says the company which anticipates widespread use in refrigerated areas for controls and security systems.

The instruments operate on pulse modulated infra-red beams and are, therefore, unaffected by other sources of light. They have an operating range of up to 35 metres. Both receivers and transmitters are contained in waterproof die cast housings with glass lenses. Thermostatically controlled heaters protect the operating components from the effects of low external temperatures.

● COMPUTERS

War of the giants

WITH THE addition of two more Itel AS/5 large computers to the machine of this type installed and working at UCSL's Burgess Hill Data Centre, this large Unilever subsidiary has apparently moved away from large IBM machines for the foreseeable future.

It will shortly take delivery of the new machines and then have some £3m-worth of Itel advanced technology units on site carrying bureau services which must operate round the clock. The first machine, installed last September, has had only four hours down-time in 1,450 hours' operation, which was a major factor influencing the decision.

But a further consideration was the availability from Itel of a machine equivalent to the new large IBM series.

Replacing existing IBM equipment, the new A5s for UCSL bring the number of Itel machines installed and on order for Britain to seven and in Europe and the Middle East to 26.

All these would be installations averaging around the £1m mark, which spells serious inroads on IBM's large machine replacement market in Europe.

In the meantime the Amdahl company has disclosed delivery of a very large machine to Chrysler UK, bringing the total for the UK of these £1.8m computers to three and for Europe as a whole to 12, representing a total value of close on £20m.

Amdahl has moved up to 17th position in the U.S. computer league table from 26th in 1976, thanks to an outstanding performance during fiscal year 1977.

● ENERGY

Useful heat from waste

EXTRACTION of heat from exhaust gases for space heating is possible with simple compact equipment designed by Fuel Furnaces, which proposes to give it a first public showing at the Furnaces, Refractories, Heat Treatment and Fuel Economy Exhibition in Birmingham from September 25 to 29.

The heat extractor is based on a modified version of the Hydrotherm hot water boiler made by Hamworthy, Fuel Furnaces parent company in the Powell Duffryn Group.

Modifications include removal of the burner and installation of ducts and a fan to take the hot gases from the equipment to which the unit is attached.

The boiler is used in the normal way to provide hot water for space heating; it can also be connected to a domestic hot water supply system through a heat exchanger.

Fuel Furnaces says the compact unit can be attached to many types of furnaces, industrial boilers and engines. It suggests installation in series where there are several heat sources to be tapped and fluctuating demand to be met.

Fuel Furnaces, Shady Lane, Birmingham B44 9EX. 021 360 7000.

Wind power discussions

AT A RECENT meeting held at Reading University which was attended by industrial and university representatives, a steering committee was set up to decide on the objectives of the British Wind Power Engineering Association.

Aims include the dissemination of information on wind energy studies, projects and products through publications and meetings, for the benefit of both workers in the field and of the general public; the formulation of policies on future development of wind energy resources; the compilation and maintenance of a register of wind energy studies and projects especially within the UK, and to foster links with similar organisations abroad.

These topics will be discussed at a one-day seminar at CEGB, Sudbury House, 15, Newgate Street, London EC1, 9.30 a.m. to 5.00 p.m. on July 13.

Seminar fee is £27 (including VAT) and details may be obtained from Multi Science, The Old Mill, Dorset Place, London E15/ 1DJ. (01-534 4884).

● SERVICES

Plant will go under the hammer

AN INTERNATIONAL auction house specialising in the sale of industrial equipment from complete manufacturing plants to individual machines and real estate has been launched by Galerie Koller AG of Zurich, through a new subsidiary company, Koller and Steigrad AG.

The Swiss Machinery Exchange is intended to meet a need resulting from economic changes which have forced manufacturers to close down whole factories, and from technological development which has made machinery redundant long before the end of its useful life.

Sales are to be held regularly at "Embraport," the international warehousing and distribution centre at Embrach on the outskirts of Zurich and, as an additional service, the company will maintain a property department dealing with valuable real estate, particularly in the highest grade of residential property.

Inquiries to Galerie Koller AG, Ramistrasse 8, 8001 Zurich, or English contact on 0403 69691.

● MAINTENANCE

Walk behind scrubbers

AN ELECTRONIC control system is featured in a new range of compact electric and battery operated "walk-behind" floor scrubbers marketed by FMC Corporation's Sweeper Division, Zeughausgasse 9, CH-6301 Zug, Switzerland.

There are four basic scrubbers with cleaning capacity from 1,100 to 2,400 square metres per hour adaptable to customer specification and offering 11 different model variations. Each incorporates large one-piece glass fibre cleaning solution and waste water tanks. Tanks are top filling and come equipped with a flexible hose for easy discharge.

Mains or battery versions are available for most models and a single battery charge, says the company, gives several hours—depending on the model—of unrestricted operation. Models are driven either by brush traction with the operator guiding the scrubber or by an electronically controlled drive unit providing direct infinitely variable gear drive to the wheels.

Brushes are worm-gear driven and there are no chains, v-belts, clutches or other wear items.

● By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.

LOMBARD

Floating bonds and the Bank

BY MICHAEL BLANDEN

THE LOCAL authorities have lately been tapping the investment market with a new series of floating rate issues, but the Bank of England has so far shown no strong inclination to follow up its initial modest experiment with variable rate Government stock. The verdict in the market has been that the two issues made have been at best no more than a qualified success, and the new money-raising technique has fallen well short of the expectations of its main advocates in the City.

The Bank will no doubt try again, possibly introducing changes in the conditions of the stock to meet some of the criticisms which have been raised in the City. Its own view, though, is that having made a genuine effort to sell floating rate stock it has shown that the concept has considerable limitations. The experiment has not been a failure; but floating bonds are not expected to represent a substantial source of Government borrowing over the long term.

The idea

The debate which preceded the introduction of the floaters last year put the idea forward as an answer to the Bank's problems in getting stock during periods of uncertainty over future interest rates. The first £400m issue went quickly, running out in just over three weeks from the day in May, 1977, when it was first made available on tap to the market.

The second issue, also of £400m, was put on sale in July, with generally similar terms. It took until nearly the end of May this year before that small amount was finally exhausted, and in between the Government broker had to buy back a substantial amount of the stock which had been previously sold.

The main thing that went wrong was that it became apparent that variable rate stocks, though more stable than fixed rate issues, were not immune to market movements. Their prices have moved significantly from their initial sale price, and at present stand at a discount. This undermines one of the main cases for the floaters, that they provide protection for capital in times of rising interest rates.

The supporters of floaters in the City, however, argue that the difficulties of the new technique owed something to the way in which the stocks were designed. The fairly modest margin of ½ a percentage point which determined the interest rate on the stocks was linked with the Treasury bill rate. This, as Greenwells pointed out at the time, is a discount rate and not the actual yield on bills, which is significantly higher. The result was that the real spread over the return which could be earned on bills was markedly lower than appeared from the ½ per cent figure.

Moreover, the gap between the discount rate and the yield on bills widens the higher the actual level of rates. As a result, the true margin on the stocks would narrow as the absolute level rose and at a certain point (above a bill rate of 11.3 per cent) would become negative. This may have helped to disturb potential buyers.

A further cause of confusion, it is argued, arose from the decision to fix the rate retrospectively each 6 months. This ensured that changes in the level of interest rates were reflected almost immediately; but it also made it awkward to work out the return. Finally, the critics argue, the stocks were too short to be attractive to the long-term investors among the institutions.

Some of these claimed weaknesses could be partly corrected by changing the format. Yet the scope for alterations within the parameters which the authorities have set themselves is limited. In particular, they would almost certainly be relucant to adopt either of the two most obvious ways of overcoming the problem of the spread—to offer a wider margin and thus increase the cost to the Government, or to link the return, like the local authority issues, to a rate determined in the private sector.

No disgrace

A misunderstanding seems to have arisen in the debate about the floaters with the two sides taking different views of the purpose which they should serve. The authorities do not see variable rate stocks as a substantial long-term source of funds for the Government, and are by no means convinced that the demand exists among the pension funds and insurance companies which need to match their own fixed commitments.

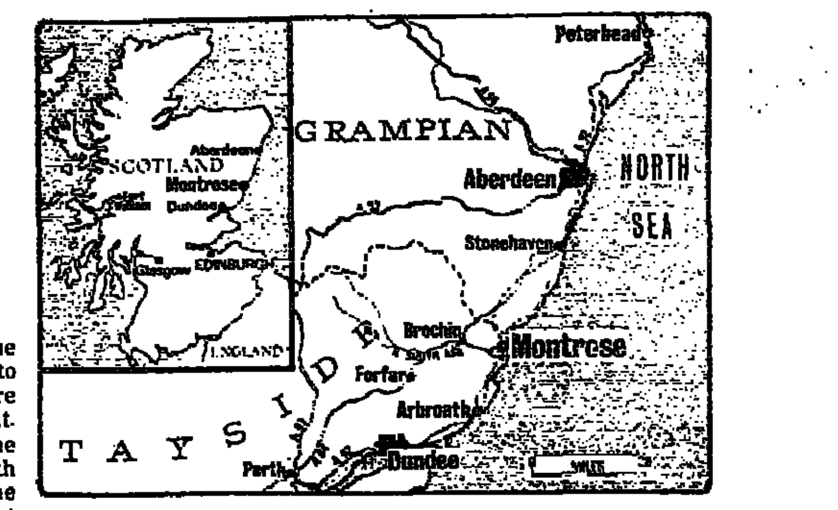
Rather, the floaters are seen as a method of smoothing the funding operation. They offer a temporary outlet for funds in times of uncertainty which may attract money which would otherwise go to the banks, but are not a replacement for the predominant fixed-rate funding. On this view, it is no disgrace if the Bank has to buy the floaters back in times when the investors are switching into fixed-rate gilts; rather it provides a justification for their existence.

AROUND BRITAIN

MONTROSE

A haven of content on the North Sea

BY ANTHONY MORETON



EVEN ON A fine day, when the wind comes off the North Sea with any force the basin behind the harbour at Montrose whips up into white horses. It gives some idea, even if only a fleeting one, of what it can be like 100 miles out to sea where the rigs and platforms are placed.

Montrose has become very much concerned in the past few years with North Sea operations. Although Aberdeen, some 50 miles to the north, and Peterhead made all the running in the offshore stakes, Montrose, together with the other Tayside ports of Arbroath and Dundee, has made a strenuous effort to deal itself in on the lucrative business that is being done with the exploration companies.

Those efforts have been successful, thanks in considerable measure to steps taken by Sea Oil Services, a subsidiary of the P and O shipping group, in building an offshore base opposite the original harbour.

Montrose has always had a small port dealing in general cargo. Back in 1964, when Capt. A. G. Graham became general manager, it handled 110 vessels whose average cargo size was about 400 tons. For his first few years the position did not change very much.

Then a Scandinavian trade in timber, paper and pulp, largely destined for mills in Aberdeen, Dundee and Fort William — but some also for those on the Thames Estuary and the Bristol Channel — built up. Since then Montrose has handled an increasing amount of cargo each year.

At that time facilities were concentrated on the north bank of the South Esk river. Sea Oil Services saw not only the potential of the south bank but also had the financial clout to turn its plans into reality. In the last few days of 1972 it started dredging the channel, throwing the deposits onto the south bank to create a 40-acre site, with two long quays—one of 800 feet, the other 720 feet—from which it could develop its own offshore services and lease land and buildings to others.

Most of the dredging took place in the eight months to the summer of 1973 and the first supply vessel destined for an oil rig tied up a year later. By the time work had finished the cost had emerged at between £5m and £6m.

The work first involved dredging and widening the channel. Then, warehouses, offices and other units were put up. Sea Oil Services took part of the space for itself and the rest it has leased at various times to companies such as Pan Ocean (a Marathon subsidiary), Ranger Oil, Home Oil, Monsanto, Shell, Total, Deminex, Otis, Hydrotech and Brown and Root.

The attraction for many of these companies is that while the supply boats can use the longer quay, the shorter of the two has some of the largest cranes in Britain and can be used for shipping our particularly heavy pieces of equipment. These can be fabricated or repaired in the area immediately behind the quay.

Sea Oil Services was formed just before work began on the channel and has developed into two main divisions: offshore support and oilfield equipment. Consequently, not only do the boats ply out to the fields with what is commonly called the rope-soap-and-dope trade, but downhole tools are also manufactured in Montrose.

In addition, another P and O subsidiary, Subsea, services its mini-submarines on the base and it is not uncommon to see a couple of these vessels undergoing maintenance or repairs at any one time.

Some of the highly skilled craftsmen for this work have had to be brought in, since a town of 11,000 hardly has a surplus of such labour. But many Montrose men have returned to the town now that work is available for them.

Sea Oil Services itself employs around 150 people at any one time. With the other tenants, the base's labour force is around 400. It is hardly surprising, therefore, that Montrose should be among the happier places to live in Scotland so far as unemployment is concerned. At around 6 per cent it is a third lower than the average for Scotland and somewhat under the Tayside figure.

The general port—all facilities are run by a harbour trust—has also contributed to the town's air of prosperity and from employing just a few people 15 years ago it now provides work for between 120 and 130. Partly this has been a spin-off from the offshore base; but the general cargo port has grown in importance every year for the past ten and has reached the point where it is one of the largest handlers of pulp imports and grain exports in Britain. Last year cargo handling went up by 19 per cent.

The dredging has helped to give Montrose a 24-hour capability thus reducing its dependence on the tides and allowing larger vessels to enter. Now, some 500 vessels a year use the docks and their average cargo has more than doubled to 834 tons. Cattle feedstuffs, steel pipes and billets are coming in and potatoes, tractors and caravans going out in addition to the timber products and grain.

On May 1, work started on another 330 foot of quay-side space to provide another deep-water berth. When this is completed by the end of the year a further enlargement of the trade using the South Esk is certain. No wonder Captain Graham is a contented man.

Fillies premium scheme hands out £30,000

RACING

BY DOMINIC WIGAN

THAT LONG overdue innovation, the fillies premium scheme, appears to have got off to a satisfactory start.

In the first three months operation of the Levy Board's fillies premium scheme, 65.4 per cent of the qualifying races have been won by fillies bred and raised in Britain.

Introduced this year as an encouragement to racehorse owners to buy British and to give confidence to the breeding industry, the £170,000 scheme provides a premium equivalent to half the guaranteed prize money to go to the winner of all two-year-old fillies races worth £1,000 or more, provided that the winning filly was bred and raised in Great Britain.

Up to June 30, 49 qualifying races had been run, 35 of which were won by fillies eligible under the scheme. The total value of premiums won exceeded £30,000, of which the successful owners received nearly £25,000, the trainers more than £3,000 and the jockeys slightly more than £2,000.

The most successful filly under the scheme to date has been Devon Ditty, who collected a premium of £750 for winning at Pontefract, £2,000 in the Hilary Needler Trophy at Beverley, and £600 by finishing third in the Group 3 Queen Mary Stakes at Royal Ascot. Another whose connections benefited from the scheme is Argentina Bound, who has also won three premiums. Owners of 43 fillies have collected under the scheme.

The transfer to Salisbury of the 1,000 Guineas and 2,000 Guineas trials, formerly run at Ascot, is the principal innovation of the 1979 racing fixture list.

Ascot has given up its first April meeting, which has suffered badly from the weather in recent years and which this year had to be transferred to Newmarket at short notice. The Guineas trials, the first Pattern races run at Salisbury, will be held at a new fixture on Saturday, April 7, the earliest start to Salisbury's season.

There are 61 evening fixtures for 1979, two fewer than this year, and surprisingly, only one day—Monday, June 18—without at least two afternoon fixtures.

This afternoon it is Hong Kong day at Sandown, with some varied and interesting racing in prospect. Two likely-looking winners are Sunday Guest, among the runners for the Hong Kong Handicap in which he receives 6 lb from the rather disappointing Lucent, and Henry Cecil's Milsson. The last-named, a rangy St Paddy colt who has been lightly raced because of a split pastern last summer, might be a sound bet to lift the Kowloon Stakes.

SANDOWN
2.00—Speed Bonnie Boat*
3.05—Sunday Guest**
3.40—Pipedreamer
4.10—Celebrated
4.45—Milsson***

ENTERTAINMENT GUIDE

TV/Radio

† Indicates programme in black and white

BBC 1

10.50 am 300 Years Service to the Crown (as Scotland). 12.55 pm Canu'r Plant. 1.30 Trumpton. 1.45 News. 1.55 Wimbledon Lawn Tennis: Ladies Singles Final and Men's Doubles Final. 4.18 Regional News for England (except London). 4.20 Play School. 4.45 Take Hart. 5.10 Tabitha. 5.35 The Wombles.
5.40 News
5.55 Nationwide (London and South-East only).
6.15 Wimbledon.
7.45 The Black and White Minstrel Show.
8.30 Sykes.
9.00 News.
9.25 Petrocelli.
10.15 Tonight (London South-East only).
10.45 Regional News.
10.46 The Late Film: "The Pad (And How To Use It)."

All Regions as BBC-1 except at the following times:—

Wales—12.55-1.30 pm O Dan Y Mor. 5.10-5.35 Teliffant. 5.55 Wales Today. 6.15-6.40 Heddiw. 6.40 Join BBC-1 (Wimbledon). 10.15 Llangollen '78. 10.45-10.46 News for Wales.

Scotland—9.50 am Paddington and the "Old Master." 9.55 Jackanory. 10.10 Help! It's the Hair Bear Bunch. 10.30 The Islanders. 10.50-12.10 pm 300 Years of Service to the Crown: The Queen at the Parade of the Royal Scots Dragoon Guards in Edinburgh. 5.55-6.15 Reporting Scotland. 10.15 The Beechgrove Garden. 10.45-10.46 News for Scotland.

Northern Ireland—4.18-4.20 pm Northern Ireland News. 5.55-6.15 Scene Around Six. 10.15 King Billy. 10.45-10.46 News for Northern Ireland.

England—5.55-6.15 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 10.15-10.45 East (Norwich) On Camera; Midlands (Birmingham) Hits and Mrs.; North (Leeds) Direct Line; North East (Newcastle) Friday North; North West (Manchester) Champion Brass; South (Southampton) Report South; South West (Plymouth) Peninsula; West (Bristol) Public Life.

BBC 2

11.00 am Play School (As BBC-1 4.20 pm).
4.10 pm Wimbledon Tennis.
7.50 News on 2 Headlines.
7.55 Westminster Report.
8.15 Tortelier Masterclass.
9.00 M. H. and 5p: Fivepenny Piece with Mike Harding.
9.30 Wimbledon highlights.
10.20 The Devil's Crown.
11.15 Late News on 2.
11.25-11.35 Closedown (reading).

LONDON

9.30 am History Around You. 9.55 Plain Sailing. 10.20 The Undersea Adventures of Captain Nemo. †10.30 The Saint. 11.20 Stationary Ark. 11.45 Felix the Cat. 12.00 A Handful of Songs. 12.10 pm Pipkins. 12.30 The Better Sex. 1.00 News plus FT index. 1.20 Help! 1.30 Beryl's Lot. 2.00 Money-Go-Round. 2.25 Racing from Sandown Park. 4.00 Cartoon Time. 4.15 Golden Hill. 4.45 Fanfare. 5.15 Cuckoo Waltz.
5.45 News.
6.00 Thames at 6.
6.35 Crossroads.
7.00 Winner Takes All.
7.30 The Pink Medicine Show.
8.00 Hawaii Five-O.
9.00 The Foundation.
10.00 News.
10.30 Police 5.
10.40 Russell Harty.
11.40 Baretta.
12.40 am Close—William Blake poem read by James Coyle.

All IBA Regions as London except at the following times:—

ANGLIA

10.20 am Friends Of Man. 10.40 Simply Sewing. 11.05 The Roger Whittaker Show. 11.30 The Woodbridge Tide Mill. 1.25 pm Anglia News. 5.15 Chatterbox. 6.00 About Anglia. 8.00 The Incredible Hulk. 10.30 Probe. 11.00 Friday Late Film: "The Bliss of Mrs. Blossom." 12.45 am Your Music At Night.

ATV

10.20 am Friends Of Man. 10.40 Into The Unknown: Do You Believe In Ghosts? 11.35 The Roger Whittaker Show. 1.20 pm ATV Newsdesk. 5.15 Those Wonderful TV Times. 6.00 ATV Today. 8.00 The Incredible Hulk. 10.30 The Friday Night Film: "The Night Strangler."

BORDER

10.20 am Dynomutt—The Dog Wonder. 10.45 Simply Sewing. 11.10 The Roger Whittaker Show. 11.35 Wodbridge Tide Mill. †1.20 pm Border News. 5.15 The Partridge Family. 6.00 Lookaround Friday. 8.00 The Incredible Hulk. 10.30 The London Rock And Roll Show. 11.30 Police Surgeon. 12.00 Border News Summary.

CHANNEL

1.18 pm Channel Lunchtime News and What's On Where. 5.15 Friends Of Man. 6.00 Report At Six. 8.00 The Bionic Woman. 10.28 Channel Late News. 10.32 Summer of '78. 11.00 TV Movie: McCloud. 12.40 am News and Weather in French.

GRAMPIAN

9.25 am First Thing. 10.20 The Beachcombers. 10.45 Simply Sewing. 11.10 The Roger Whittaker Show. 11.35 The Woodbridge Tide Mill. 1.20 pm Grampian News Headlines. 5.15 Cuckoo Waltz. 6.00 Grampian Today. 7.00 The Entertainers: Boxcar Willie. 8.00 The Incredible Hulk. 10.30 Reflections. 10.35 Grampian Late Night Headlines. 10.40 The Friday Film: "The Mephisto Waltz," followed by road report.

GRANADA

10.25 am Sesame Street. 11.20 Castaway. 11.45 Kathy's Quiz. 1.20 pm This Is Your Right. 1.30 The Amazing World Of Kreskin. 5.10 What's New. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Summer Sport. 8.00 The Incredible Hulk. 10.30 Reports Extra. 11.00 Friday Film Premiere: "I Love You, Alice B. Toklas." 12.45 am A Little Night Music with the Chieftains.

HTV

10.20 am Money-Go-Round. 10.40 Simply Sewing. 11.05 Roger Whittaker. 11.30 Woodbridge Tide Mill. 1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 1.30 Those Wonderful TV Times. 2.00 Women Only. 5.15 The Undersea Adventures Of Captain Nemo. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Margie And Me. 8.00 The Incredible Hulk. 10.35 Music Makes People. 11.05 The Late Film: "Bye Bye Braverman."

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion y Dydd. 4.15-4.45 Camau Cantamil. 6.00-6.15 Y Dydd. 10.35-11.05 Outlook.

HTV West—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

10.20 am Dynomutt The Dog Wonder. 10.45 Simply Sewing. 11.10 The Roger Whittaker Show. 11.35 Wodbridge Tide Mill. 12.30 pm Andy Williams Show. 1.25 pm News and Road Report. 1.30 Houseparty. 5.15 Cartoon. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Laverne and Shirley. 8.00 The Incredible Hulk. 10.30 Ways And Means. 11.00 Late Call. 11.05 House Of Horrors: "Corruption."

SOUTHERN

10.20 am Adventures In Rainbow Country. 10.40 Simply Sewing. 11.05 Roger Whittaker Show. 11.30 The Woodbridge Tide Mill. 1.20 pm Southern News. 1.30 Those Wonderful TV Times. 2.00 Women Only. 5.10 Weekend. 5.20 Crossroads. 6.00 Day By Day. 6.00 Scene South East. 6.30 Cuckoo Waltz. 8.00 The Incredible Hulk. 10.30 Southern News Extra. 10.35 The Friday Horror Film: "Willard."

TYNE TEES

9.25 am The Good Word followed by North East News Headlines. 10.20 Wildlife Cinema. 10.40 Simply Sewing. 11.05 Roger Whittaker. 11.30 Woodbridge Tide Mill. 1.20 pm North East News and Lookaround. 1.30 Challenge Of The Sexes. 5.15 Run Joe, Run. 6.00 Northern Life. 8.00 The Incredible Hulk. 10.30 Sportstime. †11.05 The Friday Film: "Footsteps In The Fog." 12.35 am Epilogue.

ULSTER

10.20 am Lost Islands. 10.40 Simply Sewing. 11.05 Roger Whittaker. 11.30 Woodbridge Tide Mill. 1.20 pm Lunchtime. 4.13 Ulster News Headlines. 5.15 The Flintstones. 6.00 Ulster Television News. 6.05 Crossroads. 6.30 Reports. 6.50 Police Six. 8.00 The Incredible Hulk. 10.30 Dan August. 11.30 Bedtime.

WESTWARD

10.20 am Evolution Of Life. 10.40 Simply Sewing. 11.05 The Roger Whittaker Show. 11.30 The Woodbridge Tide Mill. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 5.15 Friends Of Man. 6.00 Westward Diary and Sports Desk. 8.00 The Bionic Woman. 10.28 Westward Late News. 10.30 Summer Of '78. 11.00 TV Movie: McCloud. 12.40 am Faith For Life.

YORKSHIRE

10.20 am Power Without Glory. 11.10 To The Top. 11.35 Friends Of Man. 1.20 pm Calendar News. 5.15 Out Of Town. 6.00 Calendar (Emley Moor and Belmont editions). 8.00 The Incredible Hulk. 10.30 Oh No It's Selwyn Froggitt. 11.00 Speedway. 11.45 The Protectors.

RADIO 1 247m

(S) Stereophonic broadcast
VHF Very high frequency.

5.00 am As Radio 2. 7.02 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett including 12.30 pm Newsbeat. 2.00 Tony Blackburn. 4.31 Kid Jensen including 5.30 Newsbeat. 7.30 Sports Desk (joins Radio 2). 10.02 John Peel (S). 12.00-2.02 am As Radio 2.

VHF Radios 1 and 2—5.00 am With Radio 2 including 1.55 pm Good Listening. 2.02 Pete Murray's Open House (S) (continued from Radio 2, 12.30). 2.30 David Allan (S). 4.30 Waggoners' Walk (also 200kHz, 1484kHz). 4.45 John Dunn (S). 7.00 With Radio 2. 10.00 With Radio 1. 12.00-2.02 am With Radio 2.

RADIO 2 1,500m and VHF

5.00 am News Summary. 5.02 Richard Vaughan with The Early Show (S), including 6.15 Pause For Thought. 7.02 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause For Thought. 10.02 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.35 Pete Murray's Open House (S) (continued on VHF) including 1.45 Sports Desk. 2.02 Wimbledon Lawn Tennis Championships, including 2.45 3.45 Sports Desk. 4.30 Waggoners' Walk (as VHF). 4.45, 5.45, 6.45 Sports Desk and 6.02 Cross-Channel Motoring Information. 7.02 Royal Show '78 (S), including 7.30 Sports Desk. 8.02 Neil Richardson conducts the BBC Radio Orchestra (S). 8.45 Friday Night is Music Night (S). 9.55 Sports Desk. 10.02 Free Spin 10.30 Let's Go Latin with Pete Winslow Brazilian Sound. 11.02 Brian Matthew introduces Round Midnight, including 12.00 News. 2.00-2.02 am News Summary.

RADIO 3 464m, Stereo & VHF

6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Bach (S). 9.45 English Chamber Orchestra Wind Ensemble (S). 10.40 Young Artists Recital (S). 1.35 Voice and Lute recital (S). 12.15 pm BBC Northern Symphony Orchestra, part 1 (S). 1.00 News. 1.05 Playbill (S). 1.20 BBC Northern SO, part 2 (S). 1.55 Laurence Allix piano recital (S). 2.55 Constant Lambert on records. 3.40 Music In London In The Reign Of William And Mary (S). 4.45 The Young Idea (S). 5.45 Homeward Bound (S). 6.05 News. 6.10 Homeward Bound (continued). 6.30 Lifelines: Leisure and Recreation. 7.30 The Art Of Jennifer Vyvyan (S). 8.00 Cheltenham Festival 1978 part 1 (S). 8.55 High Days And Holy-Days In Schubert's Vienna (talk by John Warrent). 9.15 Cheltenham Festival 1978 part 2 (S). 10.00 Rousseau, Composer-Philosopher (talk by Gerard Victory). 10.45 Prokofiev chamber music (S). 11.10 Early English Organ Music From Innsbruck by Gibbons, Byrd (S). 11.45 News. 11.50-11.55 Tonight's Schubert Song.

RADIO 4

434m, 330m, 285m and VHF

6.00 am News Briefing. 6.10 Farming Today. 6.30 Today, including 7.00 and 8.00 Today's News, 7.30 and 8.30 News Headlines. 8.35 Yesterday In Parliament. 9.00 News. 9.05 Local Time. 9.35 A Bar For Nothing (S). 10.00 News. 10.05 Checkpoint. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Analysis. 11.50 Letters From Everywhere. 12.00 News. 12.02 pm You And Yours. 12.27 My Music (S). 12.55 Weather: programme news. 1.00 The World At One. 1.30 The Archers. 1.45 Woman's Hour from Manchester, including 2.00-2.02 News. 2.45 Listen With Mother. 3.00 News. 3.05 Afternoon Theatre (S). 4.00 News. 4.05 Portrait Of A Street. 4.35 Story Time. 5.00 PM Reports. 5.40 Enquire Within. 5.55 Weather: programme news. 6.00 News. 6.30 Going Places. 7.00 News. 7.05 The Archers 7.20 Pick Of The Week (S). 8.10 Profile. 8.30 Any Questions? 9.15 Letter From America. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Week Ending ... (S). 10.55 Nightcap. 11.00 A Book At Bedtime. 11.15 The Financial World Tonight. 11.30 Today In Parliament. 12.00 News.

BBC Radio London

206m and 94.9 VHF

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In 2.03 206 Showcase. 4.03 Home Run. 6.10 London Sports Desk. 6.35 Good Fishing. 7.00 Look, Stop, Listen. 7.30 Black Londoners. 8.30 Track Record. 10.00 Late Night London. 12.00 Close: As Radio 2.

London Broadcasting

261m and 97.3 VHF

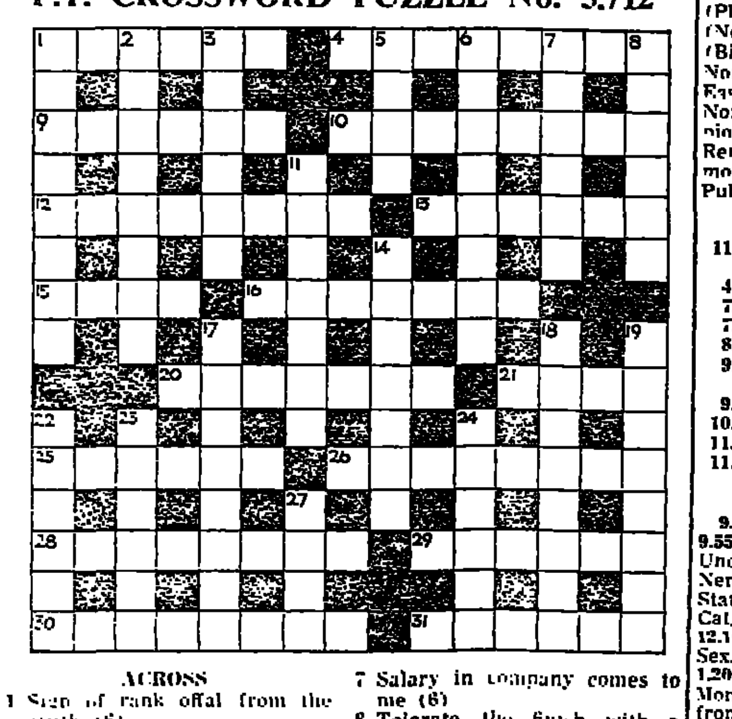
5.00 am Morning Music. 6.00 AM: non-stop news, information, travel, sport. 10.00 Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale's 3 O'Clock Call. 4.00 LBC Reports (continues). 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

194m and 95.8 VHF

6.00 am Peter Young's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Headline Debate—"Do Animals Have Rights?" 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 1.00 Mike Allen's Late Show (S). 2.00 am Ian Davidson's London Link International (S).

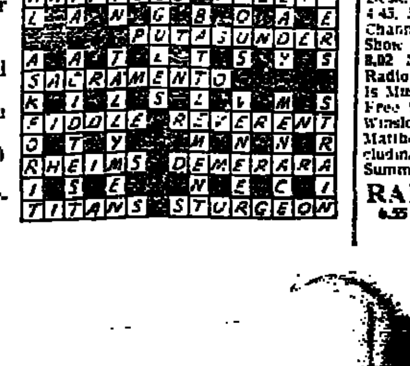
F.T. CROSSWORD PUZZLE No. 3,712



ACROSS
1 Sign of rank offal from the south (8)
9 Heading assistant vicar about four (8)
10 A very bad time for romance (6)
11 Went forward and lent money (8)
12 Unemployed worker is without restraint (4-4)
13 Chemical form is more complex (6)
15 National emblem may lose water by the sound of it (4)
16 Looking hard at article in train (7)
20 Supply vessel in sea-food (7)
21 An amount of land contained in square arenas (4)
25 Lecturer who should give a correct proof (6)
26 Left role in play during act (8)
28 Word for word in a grammatical sense (8)
29 Initially carried off in casket (6)
30 Arrive with foreign currency at a well-known spot (8)
31 Number of degrees right for a fisherman (6)

DOWN
1 Support for a builder could be a means to an end (8)
2 Bent back electric cable in a rush (8)
3 Promise soft illumination (6)
5 Open a French note (4)
6 Collecting for a church service in Gateshead (8)
7 Salary in company comes to me (6)
8 Tolerate the finish with a flower (6)
11 Joining group of soldiers in start of game (7)
14 Prepared for the table and properly attired (7)
17 Saint and western member become tepid (8)
18 Pleased to have the basis of a good fire it's said (8)
19 Digger but not necessarily an Australian (8)
22 Stones giving note to composer (6)
23 Elderly lady or man confused with teamleader (6)
24 Brownish purple sign of distress (6)
27 Some of the words luridly sound indistinctly (4)

SOLUTION TO PUZZLE No. 3,711



Sadler's Wells

Gallery and Styx

by CLEMENT CRISP

What Alwin Nikolais does well is tease us, and in an almost avuncular fashion, keep us amused with tricks of lighting, and surprises us with the bodies of the dancers under his command. On Wednesday in *Gallery*, which is a new work this year, he presented a shooting gallery in which his dancers indulged in some of the hoariest antics of mime—trick walks, masked heads appearing and disappearing—but yet retained our attention and our goodwill. He does this by a certain innocence, disarming criticism, I would hazard, with his own evident pleasure in pulling off yet another visual hoax.

What does not come off at all well is the dance itself, or so it seemed in Wednesday's second programme. The opening Triple Duet from *Grotto* showed a couple in stripped-to-the-buff leotards going through the dullest of partnering paces: but beside them were two other couples, each shrouded in a multi-coloured stockinette suit like some double-headed and face-less being. They paralleled exactly the dance movements of the clearly visible couple—and the effects as the fabric stretched and altered shape were fascinating. It was almost as if Nikolais the conjuror were showing us that there was nothing up his choreographic sleeve and yet the trick still worked.

In what may be supposed the major piece of the evening, *Styx*, the indecisive shape and pulse of the Nikolais manner this season was evident. It started off with high seriousness, albeit the relevance of the title to the sometimes frantic and uneasy activities of the cast escaped me. But after sections in which the dance became no more than laboured acrobatics, Pilobolus fashion, there was a Dali-esque incident in which a pink-robed divinity was decked with a mixed grill of anatomical parts; with further sections in which two boys went into a merry little dance and a trio of men collapsed against each other with maniac grins.

The sum effect was of virtuosity in presentation failing to disguise an essential vapidity: beneath the glitter of light and pattern, there is nothing, and it seems not inapposite that Nikolais is presented by the Chimera Foundation for Dance.

Leonard Burt

Joe Zina with Jessica Sayre in 'Styx'

Cinema

Fassbinder loses his way

by NIGEL ANDREWS

Despair (AA) Screen on the Hill
Chinese Roulette (AA) Little Bit Ritzy, Brixton
The Wild Geese (AA) Leicester Square Theatre
American Hot Wax (A) Plaza 3 and selected ABCs
Russian Eccentrics National Film Theatre

English filmgoers starved of the work of Rainer Werner Fassbinder, and wondering why no new film from the German boy-prodigy has had a public showing in London since *Fox and His Friends* (1975), will be glad to know that two of Fassbinder's latest films open in London this week. One is *Chinese Roulette*, an allegorical melodrama about post-war German guilt. The other is *Despair*, a Kafka-esque farce scripted by Tom Stoppard.

By an odd coincidence, *Despair* was Press-shown on Monday: which, as a collector of informational bric-a-brac, I can tell you was the birthday of both Kafka and Tom Stoppard. But if the stars are trying to conjoin and conspire in Fassbinder's favour, they have chosen a dour task with these two movies. They provide all too clear an answer to those wondering why Fassbinder's work has fallen from favour recently. Although there are differences in visual style between the two films—*Despair* has the ripe gloss of a well-subsdised international production (it was shot in English and stars Dirk Bogarde and Andrea Ferreol), *Chinese Roulette* has the grainy, frugal look of early Fassbinder—they are all too alike in dramatic approach: both describing tortuous symbolic arabesques around the themes of guilt, identity and madness.

Despair, written by Stoppard from a story by Vladimir Nabokov, is the tale of a Russian expatriate (Bogarde) living in 1930s Berlin who has a weakness for what one might call "voluntary schizophrenia." He keeps imagining that an identical *alter ego* is watching him at work, at play, or in bed (with his plump, pretty wife Mlle Ferreol). Rather than fearing these hallucinations, he becomes drawn, almost addicted to them. When pressure of the pre-Nazi times and professional despair (he runs an ailing chocolate factory) encourage him to throw up his middle-class life and begin anew, he goes out, finds a seemingly perfect "double" (Klaus Löwitsch) and attempts to fake his own death by killing the chosen man.

The macabre joke is that the double looks nothing like Bogarde (except to Bogarde), and it is only a matter of time, and of ruefully comic suspense, before the police track him down and arrest just as he thinks he is embarking on a New Life. The joke, alas, is not enough to sustain the whole film, and the mixture of Stoppard's wittily convoluted dialogue and Fassbinder's rococo camerawork is so over-rich that aesthetic repletion comes well before the end. There are incidental compensations—notably Dirk Bogarde's performance, complete with Russian accent and expressively twitching eyebrow — but they are not enough to turn the balance of the film.

*

Chinese Roulette begins like the Fassbinder of old: introducing us, through that oblique, tableau-like style familiar since *Petra von Kant*, to eight characters whose lives are intimately intertwined and are about to become more so. There are a husband and wife (Alexander Allerson and Margit Carstensen); their crippled daughter and her mute governess (Andrea Schober and Macha Meril); the husband's mistress and the wife's lover (Anna Karina and Ulli Lommel); the housekeeper and her son who tend the couple's castle retreat in deepest Franconia (Brigitte Mira and Volker Spengler).

One ill-fated weekend, husband and mistress unwittingly check into the castle on the same day as wife and lover. The adulterous twosomes meet, shocked amusement slowly gives way to nervous hostility, and the tensions are exacerbated by the arrival of the daughter and governess. Finally the eight characters gather in the main hall of the castle—a sinister, museum-like room in which the domestic luxuries (bottles, house-plants, hi-fi equipment) are mysteriously housed in glass cabinets in the centre of the room—for a session of Chinese Roulette: a truth game with a vicious sting in its tail.

I have seen the film twice now, and I still find it a consummately baffling work. The veiled recriminations dart back and forth, cryptic references are made to the characters' unrevealed pasts, the pallid faces are posed by Fassbinder in artful double-silhouette. The tone is tense, watchful, menacing. But what the menace is in aid of, and what precisely we are supposed to be watching for, remains unclear. For a German audience the symbolic overtones of personal and/or collective guilt (the final question in the truth game concerns roles played in World War Two) may come through loud and clear. To an English audience the film looks like the work of an artist who has lost the fresh inspiration of *Fear Eats the Soul* or *Fox*, and is busy mining labyrinths of symbolism in material neither very rich nor very tractable.

*

The Wild Geese is a 2¼-hour adventure film complete with all the trimmings of the old-fashioned blockbusters: a souvenir programme, a musical overture and wrap-around stereophonic sound that seems at climactic moments to be detonating behind one's ears. It is also, more notably, the first big commercial film with an explicitly anti-apartheid message.

Three cheers for that (and for the equally unprecedented fact that it is the first movie ever to have opened simultaneously in black and white cinemas in South Africa), but only half a cheer for the film itself. This is a lively but dunderheaded mixture of *Victory at Entebbe* and *Cross of Iron*: with first a daring commando raid in African territory by British mercenaries (led by Richard Burton, Richard Harris and Roger Moore), and then an account of How They Marched Out Through Enemy Country (With Machine-Gun and Machete), after the double-dealing mastermind back in Britain (Stewart Granger) has failed to give them an airlift out.

The Boy's Own heroics let up only for sudden eruptions of hyper-graphic violence (spurting blood capsules and vivid impalement) or for po-faced message-peddling. Into the mouth of the Good African Leader for example, whom it is the commandos' job to spring from jail and restore to power, are put a series of speeches, addressed to Hardy Kruger as his Boer escort, in which the hands-across-the-race-barrier message is hammered home with deafening earnestness. One does not begrudge the film its moments of political *noblesse*; one only wishes it had dovetailed them a little more convincingly into the thick-eared military antics elsewhere on view.

*

For filmgoers with a still unslaked thirst for the music of yesteryear, the cinema's ever-flowing Nostalgia fountain now offers us *American Hot Wax*. This is the story—suitably souped-up and sanitised—of Alan Freed, the American disc jockey who coined the term "Rock'n' Roll" in the 1950s and promoted the product through countless radio sessions. He was finally ushered out of his job by a payola scandal, involving the alleged receipt of bribes to play records on his show. But the film doesn't go into that very much; except to suggest that Freed was a man as much connived against as conniving, and that Rock'n'Roll owed him a living and was ungrateful to dethrone him.

Elsewhere, the film is scarcely more than a 90-minute jam session in which New Faces (the Chesterfields) are hectically counterpointed with Old (Chuck Berry, Jerry Lee Lewis). There are moments of sardonic fun with the ulcer-prone business of music promotion—Freed wears a patient grin through the constant besiegement of would-be Presleys or Little Richards storming his office—but wit is gradually edged out by the multi-decibel assault of the Rock'n'Roll numbers themselves.

*

Finally, "*Russian Eccentrics*." Eyebrows will perhaps be raised as the title of this season at the NFT (which begins next week), since the USSR is not noted for the encouragement it gives to non-conformists. But the eccentrics featured here are all ones who lived, worked and thrived in the halcyon post-Revolution days of the 1920s and 1930s. The season features work by Kosintsev, Douzhenko, and Protazanor among others. The movie Press-show was Protazanov's *Festival of St. Jurgen* a lively anti-religious farce, which though flattered by the programme note's comparisons with Bunuel and Billy Wilder, shows just how fresh and inventive Russian art was before the revolutionary summer froze into the Marxist winter.

Dirk Bogarde and Andrea Ferreol in 'Despair'

Warehouse

Savage Amusement

by MICHAEL COVENEY

Peter Flannery's bleak and brutal picture of life in a dilapidated Manchester squat several years from now is an uncomfortable but compelling play to sit through. It carries the unlovely impact of a smack on the nose in its refusal to sentimentalise about the appalling conditions inhabited by unfortunate minorities in all our big cities. Mr. Flannery's district is Hulme, where an abandoned, trembling weasel of a teenager has been joined by a dishevelled trio from the University.

Life-lines are not quite cut for Ali's brother, Stephen, has arrived from London and a job in Housing to investigate the set-up and rescue his sister; and the other girl, Hazel, has a father in banking who is sending up regular cheques. The assistance is despised by Hazel's brother, Olly (Charles Wegner), but he finds little alternative comfort in the disembodied voice at the Social Security. Olly's anthropological parallels with Brazilian natives are subsidised by a combination of foolhardy indolence and the looting escapades of Fitz at the local Tesco's.

Fitz, the scavenging rodent, is given a performance of outstanding, unselfconscious ferocity by David Threlfall, here confirming the promise he displayed with Hull Truck. All quibbles about the realistic likelihood of the domestic set-up melt in his presence and, most memorably, in a spot-lit interrogation scene which fills us in on his benighted background.

Mr. Flannery's dialogue is as raw and flinty as the depressing landscape mightily evoked in Chris Dyer's wooden structures that seem to shore up the theatre's back wall. Visual respite is provided only in a final fling outing on the sands at Southport, but even here the temporary idyll is cut across by defeated banter about research grants and cuts in university expenditure.

It is easy to despise the self-destructive idiocy of these Welfare State waifs but harder not to be moved by their general plight. In all, John Caird's relentless and angry RSC production celebrates an exceptional playwriting debut. And there is a strikingly appropriate soundtrack provided by Mick Ford and Robert Hickson.

St. Bartholomew-the-Great

Koenig Ensemble

The Festival at St. Bart's continued on Wednesday with music for piano and/or chamber ensemble, the former played and the latter conducted by Jan Latham-Koenig. Three new pieces were shepherded by some of Janacek's best septuagenarian music. Wholly engaging though the Janacek works are, they are familiar fare now — even as played by the Koenig Ensemble —whereas the rest of the programme consisted of unknown quantities; that may have explained the thinness of the audience, a large part of which had some professional interest in the concert.

Despite the eccentric description of Paul Ziolo's *Mietlan* as "his first major piano work," it bore the familiar marks of a pre-opus 1 exercise: judicious deployment of familiar postwar devices, doubtless held together on paper by its serial construction, evincing an educated taste but no specifically personal impulse. Mr. Latham-Koenig's crisp attack lent it some dramatic force. The seven combined "elements" of Jaroslav Rybar's *Sette elementi continuiti*, also for solo piano, offered the sorts of sound that pianists like to make and the kinds of thing they like to do with their fingers. Brief and undemanding, it too benefited from Latham-Koenig's sharp rhythmic sense and his skill with colour-contrasts.

Colin Matthews' *Rainbow Studies* for piano and five winds suggested much more individual enterprise. Its flickering scherzo-textures, happily conceived for the ensemble, are haunted by near-tonal harmonies, oblique but rather potent. The evident musical imagination of all this invites closer acquaintance; even the traditional cut of the melodic lines—which really were that—had a certain speaking force. In Janacek's *Mladi* for wind sextet and in his Concertino everything speaks, of course, mostly of youth and spring affectionately recalled. Latham-Koenig and his excellent players rendered it all most vividly—almost too brightly, had not the high spirits of the music been so infectiously conveyed. Too few shadows in the first movement of the Concertino, I though (though the horn interjections had the right weight); but the deceptive riches of *Mladi* were confidently spread out, its real gravity duly measured.

DAVID MURRAY

Collegiate Theatre

Triple Bill

by ELIZABETH FORBES

After 15 years the London Opera Centre is closing down, to be replaced by the National Opera Studio. On Wednesday night the final batch of LOC students gave a trible bill at the Collegiate Theatre—there is another performance tonight—while on Saturday evening a revue, *Hale but Farewell*, will mark the end of an era in British operatic training. Over 460 students have passed through the Centre since 1963, and opera houses all over the world employ singers, producers and conductors trained at the former Roxy cinema down the Commercial Road.

The triple bill opens with *La canterina*, a comic opera by Haydn that needs much more stylish singing and playing if it is to seem in the slightest bit funny. Diane Fuge works hard, but cannot make Gasparina, the singer of the title, at all sympathetic. Bente Marcussen as Apollonia, Gasprina's so-called mother, has an even harder task to give life to a stock character. Jillian Mascall sings nicely as Don Ettore, an amorous—and presumably rich—young suitor, while William Pugh, as Don Pelagio, the music-teacher who pays the rent of the ladies' apartment, manages to raise some laughs through the sheer energy of his antics.

Vaughan Williams' *Riders to the sea*, produced with restraint by David Gauld in Mark Haddon's bleak but handsome set, is much more successful. Susan Flannery sings with real emotional power as Maurya, while Susan Moore as Nora, and Alison Jack as Cathleen, the two daughters, also give convincing performances. The Jupiter Orchestra, conducted by Peter Gellhorn, brings the surge of the sea to a score that has worn very well and grown in stature over the years. The final piece, an excellent antidote to the black depression of Synge's tragedy, is *Gianni Schicchi*, sung in the English translation by Percy Pitt.

William Chappell's production can be accused of over-inventiveness, but most of his ideas are amusing, and the singers, skilfully directed, lose the self-consciousness that often afflicts students in comic opera. Luis Torres uses a Latin temperament to good effect as Schicchi; he presses too hard on his voice at moments of dramatic climax, but does his imitations of Buoso with infectious enjoyment. Marie McLoughlin sings Lauretta's plea to her beloved father with charming simplicity, while Roger Jones, as Rinuccio, brings ringing tone to his apostrophe of Florence. Linda Shearer is a powerful Zita, while it is a pleasure to see and hear John Kentish on stage again as Ser Amanto the notary. James Robertson conducts Puccini's quicksilver score with an appropriately effervescent beat.

Royal Opera compromise by Caballe and Bumbry

Montserrat Caballé and Grace Bumbry will share the title role in the Royal Opera's forthcoming performances of *Norma* following a misunderstanding over the version being used. The revival opened last night.

Miss Caballé and Miss Bumbry, who was engaged to sing Adalgisa for the first time, arrived for rehearsals having prepared different versions which were difficult to reconcile.

Both artists were prepared to withdraw, but rather than disappoint the public it was agreed that Miss Caballé would relinquish the last three performances in the title role in return for Miss Bumbry singing Adalgisa in the traditional version for the first three performances.

Josephine Veasey will sing Adalgisa in subsequent performances. There will be a refund on tickets for the July 21, 24 and 27 performances from which Miss Caballé has withdrawn.

Ronald Crichton's review will appear in all editions on Saturday.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 886341/2, 883897
Telephone: 01-248 8000

Friday July 7 1978

Washington's trade tactics

THE U.S. appears to have made a sharp change of tack in its strategy for the closing stages of the Tokyo Round of multilateral trade negotiations in Geneva. Largely as a result of American pressure, next week has long been designated by the industrialised countries as the moment for concluding the main political phase of the negotiations, leaving only technical details to be finalised later in the year. Mr. Robert Strauss, President Carter's Special Trade Representative, has consistently expressed optimism that the mid-July deadline can be met, and earlier this week, Mr. Alonzo McDonald, the chief U.S. negotiator in Geneva, was suggesting that an "exciting superb package" was within grasp.

Agriculture

Hardly were the words out of Mr. McDonald's mouth when Mr. Strauss, in Washington, took a totally different line. There is, he said on Wednesday, "little chance, if any" of reaching broad agreement by the end of next week — largely because of the EEC's failure to make sufficiently generous concessions on agriculture. His remarks followed a comment by Mr. Edmund Dell, the British Trade Secretary, that the July 15 deadline would be "a tough target."

There are a number of possible explanations for Mr. Strauss's apparent volte-face. He still has every interest in pressing ahead as fast as possible in Geneva, given that the final details of the new agreement will have to be concluded by the end of the year if the American Congressional timetable is to be met. But he clearly cannot take home an unacceptable package simply for the sake of meeting the July 15 deadline. There is little point in meeting the Congressional deadline if Congress is going to reject the final package.

A second consideration is the increasing expectation among officials of the industrialised countries that one or more of the outstanding Tokyo Round issues may have to be referred to the seven-nation economic summit that will be convening in Bonn just as the Geneva deadline expires. Originally the hope was that the Bonn summit would have little more to do than take note of a successful outcome of the trade talks. Thirdly, the last few days have revealed growing general dissatisfaction among the developing countries over the way the talks have been conducted, and particular resentment at the July 15 deadline.

The developing countries feel they have been excluded from the real negotiations, conducted behind closed doors by the U.S., the EEC and Japan, and do not see why the industrialisd countries should be allowed to set the pace. They are protesting, increasingly loudly, that there will be little for them in the final package, despite the industrialised countries' commitment to take special account of their interests. Throughout the closing stage of the talks, the Carter Administration has shown itself much more sensitive than its predecessors to the developing countries' point of view.

The main factor, however, is undoubtedly U.S. dissatisfaction with the contents of the EEC's offer on farm products. Washington has consistently maintained that it is not trying to undermine the principles of the Common Agricultural Policy. But its negotiators must secure greater access for a wide range of American agricultural exports if they are to sell the final deal to Congress. Full details of the Community's latest offer are not available, but even Mr. Dell, who put his name to it in Brussels, believes that it is not enough to secure agreement.

Protectionism

The participants in such a marathon round of talks are bound to go in for negotiating gambits as the climax approaches. It would, however, be disastrous if the Tokyo Round were to founder on EEC agricultural protectionism. It is not that the content of the final package is going to be dramatic. The real importance of a Tokyo Round success is that it would demonstrate the determination of Governments to resist the protectionist forces that are growing stronger with every day that passes.

Finance for State assets

THE QUESTION of whether electricity prices in Scotland should or should not rise by about 4 per cent is not an issue likely to cause much lost sleep in the rest of Great Britain: but the Price Commission, in examining this question, has raised a question of great public importance. Basically, it argues that because of inflation, customers of the nationalised industries are being asked not merely to pay enough to cover the real running expenses of the nationalised industries, but to supply enough funds to make them in the long run effectively debt free.

The required rate of return imposed on public sector industries under the 1977 Act is thus, in the view of the Price Commission, excessive. It argues that a proper application of inflation accounting principles would not only allow for the rising cost of replacing real assets in a time of inflation but for the falling real burden of servicing debt. This adjustment, equivalent to the "gearing adjustment" in the Hyde guidelines on inflation accounting, would in the case of the South of Scotland Electricity Board, virtually offset the required addition to the depreciation provision.

Highly controversial

The idea that the nationalised industries are overcharging by a substantial amount — the adjustment suggested by the Price Commission would reduce the required revenue for the electricity industry alone by some £200m, and for the whole nationalised sector by a far larger sum—is on the face of it attractive; but in fact the economic logic behind the argument is highly controversial, and the financial consequences could be frightening. Unless investment programmes were themselves cut, any reduction of revenue justified in this way would require an equivalent addition to the public sector borrowing requirement; unless this were offset either by higher taxes (transferring the burden, if there is one, from customers to taxpayers) or in cuts in other forms of public spending, the financing burden could quickly become wholly unmanageable.

If the Price Commission's arguments were economically sound, these consequences might still have to be faced. It is arguable that excessive revenues encourage spendthrift investment. The large overcapacity in this particular industry might have been set up less readily if new borrowing had been required. The excessive cost of recent SSEB plant points the same moral.

In addition, excessively demanding financial targets may inhibit worthwhile projects. Unrealistic accounting practices distort investment decisions, and the Price Commission's report does underline the urgent need for realistic inflation accounting in the public sector.

However, the basis suggested by the Commission does not appear to be realistic. It rests on the assumption that because nationalised industries were originally established on a financial basis of long-term borrowing they are now 100 per cent geared. This is not so. The process of self-financing as a result of inflation — probably at the expense of lenders as much as of customers — has been going on for a decade, and the current written-down assets of these industries greatly exceed their book debt. The public as a whole has acquired, through depreciated financial assets and accumulated surpluses, a large "equity" interest in the public sector, and can reasonably require a real return on its investment.

This analysis suggests that the appropriate inflation accounting adjustments will vary widely from industry to industry, according to the structure and age of its debt, it past and current efficiency, and the average interest charged. The basic principle that customers should not be required to provide real capital under the name of "breaking even" under misleading financial rules may be sensible, but only a much fuller analysis of the accounts of publicly-owned industries will show which are indeed in some sense overcharging, and which are still earning a thoroughly inadequate return on assets for which the public has inadvertently and painfully paid.

Financial muddle Italian style

By DOMINICK J. COYLE and PAUL BETTS

Mr. Whittome of the IMF arrived in Rome this week to check on Italy's economic performance.

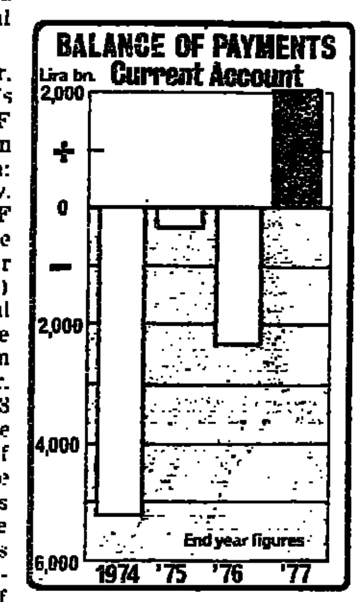
A TEAM from the International Monetary Fund (IMF) is once again in Rome to examine the national accounts, in part to review progress under the Italian letter of intent signed in April last year, but also to open preliminary negotiations for a new Italian standby with the Fund of $1bn. Parallel talks are under way with the European Economic Community (EEC) for a new loan facility of up to $1.5bn from its members.

At the moment Italy has, in fact, no need of new international credits. The reserves have been amply replenished since the lire crisis and subsequent sharp devaluation early in 1976. Indeed, the Bank of Italy announced this week that with the convertible reserves at some $9bn, it has decided to repay prematurely the remaining $1bn of a facility extended by the West German Bundesbank in 1974, although it remains possible that Italy will try to replace it with a standby credit of an equal amount.

On the surface, at least, Mr. Alan Whittome, the Fund's European director, and his IMF team are finding this week an encouraging Italian situation: the reserves are again healthy. The target agreed with the IMF and the EEC to reduce the current account deficit last year to Lire500bn (just over £310m) was overshot with an actual surplus of Lire2,014bn. The rate of inflation is dropping from the 19.5 per cent of last year. GDP increased in 1977 by 1.8 per cent, or very close to the 2 per cent in the letter of intent. Finally, there was some good news from the wages front, the cost-of-living increase for wage indexing purposes reaching 13.3 per cent compared with an IMF target of 15.7 per cent.

One of Europe's sick economies is getting better, or so these figures for final objectives would tend to confirm. But the Whittome team is looking rather deeper, and it is apparent that the Government and the monetary authorities have had much less success in controlling intermediate objectives along the road, with serious implications in the longer term. The deficit last year of the enlarged public sector came out at Lire20,500bn (£12.5bn), against a projected Lire16,450bn, with the agreed domestic credit expansion of Lire30,600bn increasing to Lire 35,000bn.

Deviations in prospect from agreed IMF targets for the current year are even more alarming. The public sector deficit in 1978, on the basis of unchanged policies—though another mini-budget is promised before the end of July—is said to be running at an annual rate in excess of Lire30,000bn (£18.7bn) or double the Lire14,450bn agreed with the Fund. The current official forecast for the deficit in 1979 is said to be over Lire 42,000bn, although the new Treasury Minister, Sig. Filippo Maria Pandolfi, has told his cabinet colleagues that this figure is based on the most pessimistic assumptions. Given Italy's bad record in this regard, Mr. Whittome may want some more tangible evidence of determination to get to grips with the escalating deficit, itself one of the major inflationary pressures in the economy.



The public sector deficit is at the core of the Italian economic problem. It is the end product of the mounting deficit of the local authorities, the massive and continually rising deficits of the major state industrial conglomerates, the explosion in the costs of meeting a chaotic pensions system which is flagrantly exploited by politicians by way of patronage and by recipients for direct gain. Their total number has grown from under 6m in 1960 to close on 14m to-day. (The actual labour force is only 20m.) The percentage of GDP expended on multiplicity of pensions has more than doubled in the period to 11 per cent.

The political parties, including the Communists who sustain the present minority Christian Democrat Government of Sig. Giulio Andreotti, are all agreed —or so they claim—that the time has come finally to halt the ever mounting public sector deficit. The same politicians are reluctant to disturb the pensions legislation, and are demanding more and more state handouts for an increasing number of industrial lame ducks. A moratorium has been placed on local authority borrowing, but in reality liabilities are simply being transfered to the central treasury.

Of course, everyone claims to be against sin. All parties now call for cuts in public expenditure—but which cuts and in which services? Industrial reconstruction has been talked about for years, but there is still precious little agreement, other perhaps than on trying to transfer to the banks the onus of bailing-out the inefficient and funding investment in industries with real prospects but with profits that are often inadequate—because of arbitrarily imposed and politically motivated price controls. The banks, not surprisingly, are not enthusiastic. The stock exchange constantly being revamped but with little visible effects so far, does not exist as a practical vehicle for channelling a portion of the people's exceptionally high level of savings into industry. Interest rates continue to be well above the European average, primarily to encourage capital inflows from abroad and to hold what funds already are there.

What is evident—and commendable—is that the authorities have used monetary and fiscal policies since the oil crises in 1974 to redress the resulting balance of payments crisis of a country needing to import some four-fifths of its energy requirements. The preoccupation has been entirely with this objective, and the policies have worked remarkably well. The payments surplus last year will be repeated in the current year, but at a cost of virtual industrial stagnation. The external constraints remain with no tangible signs that they are being reduced by shifting a greater proportion of GNP to exports and investment.

During the 1950s and early 1960s, in the period of the so-called Italian economic miracle —which transformed Italy from an agricultural-industrial country into an industrial-agricultural country and shot it into the top 10 industrialised Western economies—the average rate of growth of GDP was about 6 per cent. Since the oil crisis, the economy has grown by an annual average of 2 per cent. The fundamental question remains whether this much lower plateau is now to become the norm and, if it is, whether the economy growing at such a relatively low pace can manage to accommodate the social strains released by the unfulfilled expectations aroused in the 1960s and inherent in a society which has switched from an agricultural to a largely industrial base.

Already there are demands, from Confindustria, the employers' national organisation, from the trade unions, and from the political parties, to "go for growth," to lean on the replenished reserves and on foreign borrowings in order to get the economy growing by more than 4 per cent next year. One suspects, however, that the monetary authorities and Mr. Whittome and his IMF team fear that a doubling of the growth rate in 1979 could sow the seeds of another payments crisis with consequent pressures on the exchange rate.

The province of Latina, south of Rome is, in many respects, a microcosm of the problems afflicting Italy. It is by no means an extreme example like Naples, but none the less it encompasses all the weaknesses that are generally and loosely termed the fundamental structural defects of the Italian economy, the extravagant deficits of local and state finances, the effects of an accelerated but unco-ordinated industrialisation programme — with severe repercussions on agriculture—and the explosion of unemployment.

Latina was originally earmarked to become the industrial belt of the capital servicing Rome in much the same way as the northern province of Varese serves Milan. The province offered the ideal conditions for such a development. During the pre-war Fascist dictatorship, the drainage of the Pontine Marshes was carried out, representing an immense achievement. Then, in the opulent 1960s, the Latina region offered cheap labour, the market of Italy's largest city, Rome, together with all the subsidy and related benefits of the fund for the industrialisation of the South, the Cassa per il Mezzogiorno. In a few years manufacturing industries took root, particularly in the northern part of the province. Between 1961 and 1971, the population increased by almost one-fifth. Subsidised credits of the Cassa attracted sizeable foreign investments.

Today Latina has an unemployment rate of about 12 per cent, compared with the official national average of 7 per cent. In May alone the social welfare office had to pay as much as 457,596 hours of state-subsidised wages for workers temporarily laid off by their companies. Factories have closed. Massey-Ferguson and other international groups with plants in the area are threatening to lay off several hundreds of workers temporarily. The majority of the unemployed are women and young people. Present employment prospects are grim. Not one new job has been created in the province following the introduction of the youth employment bill last year.

To make matters worse, property speculation on a grand scale has ruined much of the tourist potential of the coastline. Industry has attracted labour away from the farms and, in spite of efforts to boost the agricultural sector at this time of industrial recession, the workforce is reluctant to go back to the land.

What went wrong? In the first place there was never an organic industrialisation programme for the area. Subsidised credit facilities were often granted on haphazard criteria. Infrastructures and social services, like transport, hospitals and schools to meet the demands of a growing population, did not keep up with the speed of industrialisation. The labyrinths of bureaucracy, the confusion of the ill-defined responsibilities of local, provincial, regional and national authorities, and the indecisions of the political parties have exacerbated the problems. The latter in particular, according to the Christian Democrat mayor of Latina, Sig. Antonio Corona, is perhaps at the root of the present crisis.

With the industrial recession, the drying up of subsidised credits alongside the general increase in the cost of money, the general intransigence of the trade unions, and labour costs increasing by well above the European average, there followed a contraction in local industrial output with obvious repercussions for labour. The result has been that the state has increasingly been saddled with the expense of meeting rising expectations so as not to disturb the unstable political balance. If the so-called "historic compromise" or grand alliance of the Communists and the traditional governing parties, is still a nebulous concept, in a province like Latina what is termed as a "social compromise" is very much of a reality.

This "social compromise" is perhaps the key to the ever-growing deficits of public and local administration. Apart from a whole series of automatic mechanism such as indexing which continue to send labour costs spiralling higher, an intricate web of what amounts to social handouts acts as a colossal drain on public expenditure. In Latina, as elsewhere, the most blatant example is the administration of pensions.

The National Pensions Institute, INPS, pays some 70,000 pensions a year in a province with a total population of just about 400,000 people; of these, some 70 per cent are represented by invalidity pensions which can be drawn after only five years of paid-up contributions. The contributions themselves, according to the local INPS head, Sig. Antonio Cipriani, act as a further distortion to the system. Certain categories of people pay minute annual contributions yet none the less enjoy full benefits. Abuses often go unpunished, or unnoticed.

The local authority has seen its indebtedness increase. Recent legislation, however, has placed a limit on local authority indebtedness, together with an overall national spending ceiling for 1978 of some Lire 13,500bn (about £9bn). But in the eyes of the Mayor of Latina, too rigorous limits on local authority spending could have serious social and hence political repercussions.

Like other provinces, Latina finds itself in a vicious circle caught up on the one hand with the real need to undergo a serious reconstruction of its entire economic base, but on the other to meet the immediate and pressing social and political demands of the area. The heavy police block on the main highway to Rome outside the town of Latina is a sharp reminder of another every-day reality—rising crime and an escalation of politically-motivated terrorism. It is a danger facing not only Latina, but much of the rest of Italy.

MEN AND MATTERS

All as firm as the Rock

With its London tourist office opening in the Strand this week, Gibraltar has added one more link to its ties with Britain. But these post-Franco days, the Rock is still a lonely and somewhat unwelcome enclave on the Iberian peninsula.

"Would more Gibraltarians favour joining Spain in its present more democratic state?" I asked the women staffing the office. They quickly cited the 12,138 to 44 vote in the last referendum in favour of the Rock staying British, and said only a "few more" would vote in favour of Spain today.

The British and the Spanish are shortly to establish working parties to see if agreement can be reached on a few points such as communications links. I learnt yesterday that the only point on which all Spaniards agree is that Gibraltar should return to Spain.

This demand is not being raised by the Spanish Foreign Ministry, nor are the working parties to discuss their complaints about Britain's annexing the neutral territory established by the Treaty of Utrecht in 1713—nor the "Berlin Wall" the British have built. Were these demands being dropped, I asked one Spanish official yesterday: The answer is no. The Spanish hope is that circumstances may alter and all citizens, left and right, achieve their aspirations about the Rock. As for the talks between the working parties, these are seen in Madrid as "tiny acorns from which mighty oaks may spring."

Rubber rebound

Amalgamated Metal Corporation, which has a market capitalisation of just over £20m, is set to have a fight today over its one and only £50 share in the London Rubber Exchange.

Amalgamated Metal is upset at being offered only this nominal value of the share in a capital re-organisation of the Exchange. The underlying assets of the share at the last balance sheet were all of £1,053.85.

An Amalgamated Metal representative told me yesterday that he recognised the amount of money involved was rather small, but it was a matter of principle. He says he expects considerable support for his objections at the shareholders meeting this morning.

The capital reconstruction of the Exchange has become desirable since membership of the Rubber Trade Association has dwindled. Originally there were 124 members and the same number of shares in the L.R.G. But now there are less than 60 members, so a lot of shares are owned by people who no longer have any interest in rubber trading.

They cannot sell their shares because, under the rules, the shares can only be sold to new members of the Association—a rare species. This has led to problems, because the estates of deceased members cannot be wound up. So the exchange—if not Amalgamated Metal — sees the reorganisation as a boon to everyone.

Remedy reviewed

Sir Richard Doll, whose research established the link between lung cancer and smoking, is about to start a new investigation—into the effects of aspirin. Sir Richard, regius professor of medicine at Oxford, would not give details when I spoke to him yesterday. "I can only confirm that I shall be undertaking a study of aspirin," he said. "I shall be making a statement in a week or a fortnight."

It is understood that the study has to do with the unproven assumption that pure aspirin stimulates intestinal bleeding. Sir Richard is by training a gastro-enterologist. Will he investigate alternative cures for hang-overs? One wonders.

Island activist

This week U.S. Congressman John Brademas has been battling away here to raise concern in the future of Cyprus. He has been telling MPs that the key lies in bringing pressure on Turkey to be conciliatory. Yesterday he told me that he thought there was more "interest and sensitivity" about Cyprus here than in almost any country in NATO—which, you might say, is only fitting in a country so involved in the island's past.

As Majority Whip in Congress, he is third in the Democratic Congressional leadership, but totally opposed to President Carter's attempts to have the U.S. arms embargo on Turkey lifted. He says he told this to the Turkish Prime Minister, Bulent Ecevit, in New York last month—and that he surprised Ecevit by describing how in the early 1970s he likewise fought to stop all U.S. arms shipments to the Greek Colonels.

Brademas and some colleagues have just published a book on how the Carter Administration has been undermining the efficacy of the Congressional embargo. He argues that Carter still has a major job to make the Senate and House of Representatives agree to lift it. A Senate Committee voted 8 to 4 against this. The House Committee voted 18 to 17 in favour of repeal, but Brademas told me this was "a fluke." One supporter of the embargo was absent and another arrived five minutes after the vote. His plane had been late.

Taking root

Yesterday I had a letter signed by Roy Jenkins making fun of the Common Market. He was jubilant that a firm of Ipswich seedsmen is selling a British sprout which is claimed to be superior to the Brussels variety because it has no tendency to rot. "At last we can say: Clear off, Brussels-choux," said Jenkins gloatingly.

The Ipswich firm is 120 years old and boasts its sprout is increasingly popular. But I have to confess that this Roy Jenkins has nothing to do with the EEC Commission. He is director of a scientific company in Bristol.

Deference

"Fish and chips — The Great British Invention" — so proclaimed the packet containing a hand tissue which a reader received at a barn dance he attended in Essex. But on the back, less prominently, was printed "Made in Israel."

Observer

POLITICS TODAY

The pattern for the poll takes shape

ANYONE addicted to jigsaw puzzles can only have relished this week. For it was a week when the political bits and pieces began to fall into place, some of them not quite where one might have expected.

For a start the Conservatives won the employment debate in the House of Commons on Tuesday hands down. But there was a victory for the Government too: Mr. Callaghan and the Cabinet accepted the recommendations of the Boyle Committee on top salaries without too much of an outcry from the Labour Left. And then there was Mr. Heath, making it up with Mrs. Thatcher. Or was he doing any such thing?

The debate on employment was remarkable in that it had Sir Keith Joseph and Mr. James Prior speaking almost as one — I am told without any previous consultation. Sir Keith's was an able performance. He moved about the floor of the House like Puck in Midsummer Night's Dream and he gave no hostages to fortune. "Monetarism," he said, "is not enough." Can it be, he asked in an aside as if he genuinely wanted to know, "that the Government hate the creation of individual wealth more than they hate unemployment?" There was in truth nothing to report, save the style and the fact that Sir Keith had not put his foot in it.

Mr. Prior was more plodding, though it was left to him to say that the Tories would not immediately abolish either the Temporary Employment Subsidy or the Employment Protection Act. Together they were the soul of moderation.

It is true that the Tories can rarely have faced such a feeble response from the Government benches. Mr. Albert Booth, the Secretary of State for Employment, for example, was plainly unable to make head or tail of a simple set of statistics that was handed to him during his speech. As for Mr. John Golding, the Under-Secretary who for some reason was appointed to wind up, perhaps all that needs to be said is that afterwards Sir Keith went across to console him. Clearly the Government can do better if it puts up its heavyweights. Yet the fact remains that if the Tories simply hammer away at the 1.4m unemployment figure and promise remedial measures that fall short of the wholesale abolition of job subsidies, they are on very strong ground. It is ground that one would expect them to try to hold during the election campaign. That indeed was one of the pieces falling into place.

Meanwhile, however, the Government was busy elsewhere. The remarkable fact about the meeting of the Parliamentary Labour Party on Tuesday was that the room was not full. The Cabinet was there in strength, but less so the backbenchers. And even when there was opposition to the Government's decision more or less to implement the Boyle recommendations, much of it was on tactical grounds. There were suggestions, for instance, that the Government had merely stored up trouble for itself by refusing to act before. There were references to the absurdity of so much attention being given to what would be pre-tax increases: there is, after all, a considerable difference between the £20,000 awarded and the £2,000 or so that would actually be received. And there were grumblings about the timing, but in general this was the revolt that didn't take off. The truce in the Labour Party that has been apparent for almost a year now continues to hold.

That is not to say that there is not a certain amount of mystification about what is happening to the Government's economic policy. One instance is the discussions about closer European monetary co-operation. The party has no idea here what is going on, but again it is a case of the dog that did not bark. There has been very little sniping at Mr. Callaghan for becoming too involved in Continental theories of economic stability.

Central question

Closer to home there is mystification about incomes policy or, more precisely, Phase IV. No one is quite sure who is talking to whom, and certainly people seem to say different things in private from what they say in public. The central question, one would suppose, is whether Phase IV will be accompanied by some kind of move towards institutionalisation—whether a revived Prices and Incomes Board, or a Pay Review Board, or whatever. After all, the point about phased incomes policies is that they are supposed to lead somewhere—if only to something vaguely called re-entry. You cannot easily go on through Phases IV, V and VI with no end in sight and no apparent aim, except perhaps making it up as you go along.

The point is taken, to be sure, by Mr. Len Murray at the TUC. The view there is quite simple: the TUC will oppose Phase IV, just as it opposed Phase III, but without a great deal of conviction and without a great deal in the way of results. At the same time, however, the TUC would like to know more about the Government's long-term thinking. Is there going to be institutionalisation, or not?

It is here that the pre-election battle is still taking place. The possibilities are becoming clearer, but one cannot be quite certain which one will finally emerge. For example, the Government could come out with a White Paper on incomes policy so bland as to be broadly acceptable to the Tories. In that case, although nothing is impossible, the unions would find it quite difficult to be any less co-operative towards a Tory Government than towards a Labour one. Alternatively, the Government might well take the initiative and go for some kind of institution. One theory is that it could do this before the end of this month, and certainly well before the TUC conference at the beginning of September. The Tories would then have to do some quick thinking about how to react.

And yet, whichever way the White Paper on income policy goes, it may still be that the Government has the advantage on the rate of inflation. Mr. Callaghan has brought it down, and he wants to keep it down. In an election campaign one only has to ask what would happen to inflation in the first year of a Tory Government to realise the Tories' problems. Undoubtedly it would go up with the first sign of a relaxation of pay policy and a return to free (or freer) collective bargaining.

It may well be that it will have to go up in order to stabilise, or even come down, later. There is a respectable case for saying—a la Erhard—that a short-term increase in inflation is the necessary price for a freeing of controls. Indeed that is precisely what the French Government, with so much German encouragement, is saying now. But it is not yet what the Tories are saying, and it is for that reason that they remain vulnerable on inflation. Mr. Callaghan is trying to do something, and still has a little time left. That is one more sign of the pieces falling into place.

Another is devolution. The Scotland and Wales Bills had their first reading on almost the first day of the present Parliamentary session: the House of Commons will be shot of them on almost the last. There is some talk of a final struggle between People and Peers, and the Government is ready to sit until well into August if necessary, but it is not very likely. The Bills may be still less than perfect, but a chapter is over and—with the referenda to come—no one can seriously say that there has been an absence of consultation. Again, it all looks very different from a year ago.

Advance billing

Not least, there has been Mr. Heath, one of the most difficult bits of the puzzle. One should resist the temptation to play down his Penistone speech entirely. Clearly he himself thought that it was important; otherwise there would have been rather less advance billing. The Tory Party thought it important too — hence Mrs. Thatcher's prompt statement of welcome. It remains, however, to examine what he actually said and what he had been doing before.

There had never been any question of his leaving the party, crossing the floor, joining the Liberals or the Ulster Unionists, taking a job in Brussels or Strasbourg, or whatever else has been suggested. There was no question either of his refusing to campaign in the election: some of his speaking engagements indeed had been agreed long ago and in a sense he has been campaigning for well over a year. What is new is that he has brought himself to utter the name of Mrs. Thatcher, and to wish her well. Yet his most pregnant word might well have been "together." "Together," he said, "we must fight hard to gain the victory we all want."

There can be little doubt to my mind that his apparent conversion and the publicity it has received will help the party in the country. The Tory Party does not like quarrels, though in practice it indulges in them much of the time, and Mr. Heath has been seen to have made his gesture of reconciliation. Yet the question of a place for him in a Tory Cabinet is as hard as ever. It would not be easy to make him Chancellor for the simple reason that his economic views are quite different from those of Mrs. Thatcher and her closest advisers.

Even at the Foreign Office there would be the risk that he would seek to tie Britain more closely to Europe than Mrs. Thatcher would wish. There would also be the problem of his operating a government of his own through his considerable intelligence network. And to be fair, of course, he has not actually said that he wants a job. He remains in reserve for the future of the party and, perhaps he might add, for the future of the country.

Mr. Heath speaking at Penistone on Wednesday evening.

Nevertheless, the Penistone speech was one of the pieces falling into place. What it all reduces to is that the election will be fought primarily on the economy and that the politicians have no more idea than anyone else who will win. Only Mr. Denis Healey is said to be predicting that Mrs. Thatcher will "do a Goldwater." The betting in the rest of the Cabinet is put at a little under six to four on a Labour victory. My own view, for what it is worth, is that the result will depend on the campaign and that all other calculations at this stage are academic. Meanwhile, thank God, the campaign is one week closer.

Malcolm Rutherford

Letters to the Editor

Tomorrow's top managers

From Mr. G. Todd

Sir,—Mr. J. R. Walker (July 5) advances, on the shakiest of premises, the argument that most fifth or sixth formers opting for a University course are less work-oriented than their schoolmates who choose an immediate earning situation.

My own observation of young undergraduates leads, however, to a different conclusion. Far from avoiding the world of work, many of them are making considerable sacrifices in pursuing longer-term and more complex career objectives in a variety of fields—engineering, law, medicine, economics, administration, accountancy, and so on.

An increasing proportion of University students are combining ad hoc income-earning opportunities with their studies—that is, taking on the double burden of working their way through University.

Mr. Walker loads his argument by describing a University course as "five years' rather casual study of (say) history or economics." Most of the students I know would describe their studies as intensive rather than casual. At least, those studies should be regarded as no less casual than the studies preceding their A levels.

But surely the most valuable outcome of University graduation, and the mental discipline that ideally is its product, would be to reduce the incidence of the illogical, dishonest and unscientific thinking. So-called academic studies — for example, logic, moral philosophy, history—can be basic correctives to the slipshod, blinkered and shortsighted policies which uneducated or half-educated people would—and unfortunately do — have us follow.

I am far from proclaiming a paean for graduates, who are extremely variable in their quality. But it is statistically more probable that the best of tomorrow's top managers will be drawn from their ranks. It would therefore be wiser to enlarge and not diminish the possible field of choice.

Mr. Walker's alternative would lead to the creation of a nation of technicians, and to an industrial sector even more starved than it is of advanced technology and the highest quality of administrative ability. I am at one with him, however, to the extent that he is opposing academic or any other discrimination that would lead to valuable human resources, from whatever source, remaining unexploited, both for their own and for the nation's benefit.

George Todd.
17 Sherbrooke Avenue, Glasgow.

Thoughtless dogma

From Mr. M. Frankel.

Sir,—One hears of the necessity for dividend restraint in the context of keeping down wages and salaries. I feel that the level of dividends paid by companies is wholly irrelevent to wage cost inflation for the following reasons:

Dividends are paid largely to pension funds and insurance companies whose functions provide economic stability and who are not likely to engender a consumer boom. Dividend income enjoyed by individuals, particularly after tax, is a negligible fraction of the national wage and salary bill.

If individuals receive dividends, the income is subject to a 15 per cent surcharge resulting in wealthy people paying a 98 per cent tax on the top slice of their income; those individuals who need unearned income on which to live, such as retired people, are far more likely to invest in Gilt-Edged securities than in equities.

Institutional and overseas investment into UK equities is necessarily restricted because of artificially low pay out levels.

Uncertainty as to the level of dividends which may be paid in the short and medium term makes corporate planning even more difficult. We already have to live with fluctuating interest rates and illogical taxation.

To sum up, dividend restraint is yet another symptom of thoughtless political dogma from which no one gains and the country loses.

Mervyn Frankel,
Park Place Investments,
136-142 Bramley Road, W10 6SR.

Control of dividends

From Mr. R. Harris

Sir,—May I suggest a possible compromise on the question of dividend limitation? During the six years that this has been in force dividend increases have for most companies been limited to a total of about 65 per cent (two increases of 5 per cent, one of 12.5 per cent, and three of 10 per cent, all compounded). During the same period wages have increased approximately two and a half times.

I would suggest, therefore, that companies should be allowed to increase their dividends by more than 10 per cent if, but only if, they did not thereby increase them to more than 250 per cent of the 1972 figure. When a 10 per cent increase would bring them over 250 per cent of the 1972 figure, as might happen when they had been allowed an exceptionally big increase to help a rights issue or fight off take-over bid, they would be limited to a 10 per cent increase unless they obtained special permission from the Treasury. This permission would be granted or refused in accordance with the criteria already applying.

Richard Harris,
Flat 8,
119, Haverstock Hill, N.W.3.

Pension funds

From Mr. J. Rutherford

Sir,—Lex (June 24) said that pay-as-you-go pension schemes could be insulated against demographic effects—the increasing ratio of pensioners to workers because of the population distribution. As the article was discussing company pension schemes two points come up.

The demographic effects on a national pension scheme can be removed by funding the proportion of future pensions which would be left uncovered because of these effects. The scheme, however, is then subject to some of the effects of inflation which a pure pay-as-you-go scheme is not; one merely finds that a combination of the two types of scheme has some of the advantages and some of the disadvantages of both. Not very surprising. It is always impossible to remove the effects of both inflation and demography.

For company schemes, the effect is more serious. As today's contributions pay today's pensions, there must always be enough profits to pay pensions to all retired personnel. If the company becomes less profitable, reduces its size or becomes bankrupt, all pensions for past employees are at risk. Thus an employee's pension depends on his employer staying profitable throughout the employee's life—if the company goes bankrupt, the pensions stop. I do not believe that this is an acceptable basis for pensions. Only nationalised industries could avoid this danger by having state guaranteed schemes, at the taxpayers' expense; private industry must stay with funded pensions.

Of course, this leaves us with the huge pension funds which are starting to dominate this country's capital markets. With their growing financial power, these funds are becoming more and more attractive as a target for nationalisation or some other form of state control. Everyone with a pensionable job has an interest in preventing such controls but I fear that we will soon have them unless everyone, especially the fund managers, awaken to the danger. The country's capital structure is being altered by the increasing amount of money tied up in such funds and we must learn to live with the new situation, but nationalisation is not the method I would choose.

John Rutherford.
14, Great Stuart Street,
Edinburgh.

Sell some treasures

From Mrs. R. Epps

Sir,—Some of our major museums are full of treasures which they cannot display for lack of space. Now that there is such an explosion of prices in the art world it would surely be common sense to send some of these to auction. This would not only raise thousands of pounds for the museums but might give the pension funds and the general public the opportunity of adding to their collections.

Mrs. Ruth Epps.
Governor's House.
New Romney, Kent.

Directorial roles

From the Principal Lecturer in Management Studies Plymouth Polytechnic

Sir,—The perennial subject of the practice of management and the qualifications of its practitioners has emerged again in your correspondence columns but with the novel aspect that the discussion has migrated from the functional specialisms and operational executive levels of management to the directorial echelons. It appears that some of the arguments are obfuscated by a failure to define the problems in sufficiently precise terms to permit a rational approach to solutions.

The Institute of Directors is counselled to set up a qualification programme and to create criteria of performance by which "directors" may be judged in relation to their fitness for board responsibilities. The "director" is referred to as though the term were self-definitive. The "board of directors" is discussed as though it were a specific entity of quantitative and objective elements. "Worker-participation" is pontificated upon—especially by its proponents—as though instant metamorphosis from a prescriptive to a discretionary role were a natural process of evolution. The real world is, of course, much more complex.

A non-executive director of a conglomerate group holding company may not be realistically compared with an executive director of, say, an autonomous manufacturing company with a relatively simple product mix destined for a particular limited market. Boards of directors may vary from a virtual rubber stamp operation in the form of a dominant/owning chairman with sycophantic satellites to an amalgam of professionalism having the proven ability to cope with the most dynamic and testing corporate environment, in which the collective exercise of discretionary judgment of a high order of effectiveness, inter alia, is a sine qua non of efficient corporate decision-making and corporate survival.

Of course, it is possible to quantify and specify the basic fundamentals of directorial roles and to construct qualification criteria applicable to them, just as it is feasible to research the inherent variables of directorial environments and relate them to the structures and content of educational and training programmes. But it is necessary first to recognise, isolate and analyse these essential differences in order that a systematic approach may be made to the perceptive diagnosis of what is required to improve corporate management and the activities and results of its practitioners.

Victor E. Shute,
School of Management
and Business Studies
Polytechnic Hoe Centre.
Notte Street,
Plymouth.

Re-exports of sugar

From the High Commissioner for Guyana.

Sir,—In his article "EEC case pinpoints clash of principles" (June 28) your legal correspondent twice refers to the re-export of the sugar imported by the EEC from African, Caribbean and Pacific countries under the Lome Convention.

In fact this sugar is not itself re-exported but is consumed in Europe, almost entirely in the UK. The references to re-export must therefore be based on the statistical concept that exports of sugar from Europe should be attributed, at least in the first place, to Lome imports. I do not think that such a concept is appropriate when it is remembered that the total quantity imported under the Lome Convention has not increased and is indeed less than that previously imported under the Commonwealth Sugar Agreement.

Your correspondent is close to the truth in his final sentence which refers to sugar being made from beet, from cane, and (in the form of isoglucose) from maize. All these three sources exist and there is an overall surplus in Europe: these are facts. It is necessary to take care, however, to avoid attributing the surplus to Lome sugar which is the only one of the three which has not increased its volume in recent years. Also the dependence of the people concerned on sugar production is far greater in the Lome countries: but that is another matter.

C. H. Grant,
Guyana High Commission,
3, Palace Court,
Bayswater Road, W2.

Too much jealousy

From Mr. A. Scott

Sir,—It seems to be quite all right to pay huge sums to talented entertainers, but not all right to pay the going European rate for talent to run the economy and skill to produce the wealth. Jealousy will get us nowhere, for it is only such people who can raise the general standard of living, which is what the jealous want.

One gets the impression that for some people jealousy is the most important thing in politics and since we seem to have more than most, it weighs us down, as should be plain for all to see.

Andrew H. Scott,
102, Beeches Road,
Chelmsford, Essex.

Today's Events

GENERAL

Second and final day of European Council summit in Bremen.

Session of European Parliament ends, Luxembourg (until September 11).

Foreign Ministers of Organisation of African Unity meet in Khartoum (until July 15).

Talks re-start in Geneva on International Wheat Agreement.

National Union of Mineworkers' conference ends, Torquay.

Greater London Council finance and establishment committee expected to receive details of losses incurred on seven-year loan of SwFr 200m following fall in value of sterling since 1973.

Mr. Kingman Brewster, U.S. Ambassador to Britain, receives honorary degree of Doctor of Laws at Southampton University.

Rugby Union annual meeting, London Hilton, W.1, at 5 p.m.

The Cheltenham International Festival of Music opens (until July 16).

PARLIAMENTARY BUSINESS

House of Commons: Appropriation (No. 2) (Northern Ireland) Order and Northern Ireland (Financial Provisions) Order.

House of Lords: Wales Bill, report stage.

OFFICIAL STATISTICS

Personal income, expenditure and savings (first-quarter). Gross domestic product (first-quarter, revised).

COMPANY RESULTS

Final dividends: B. Fertleman: Hambros Group: Scottish and Universal Investments; Thorn Electrical Industries.

COMPANY MEETINGS

Berkeley Hambro Property, 41, Bishopsgate, E.C. 11. Bradford (R.), Minster House, E.C. 10. Buckley's Brewery, Swansea, 10.45. Minster Assets, 180, Strand, W.C., 12. Scott and Robertson, Dundee, 12. UEI, Manchester, 12.

BALLET

London Festival Ballet dance Sleeping Beauty, Coliseum Theatre, W.C.2, 7.30 p.m.

Royal Ballet School perform Folk and Scottish dancing; Les Sylphides; Diversions; and Birthday Offering, Covent Garden, W.C.2, 7.30 p.m.

MUSIC

Traditional Irish Music Festival, Royal Albert Hall, S.W.7, at 7 p.m.

Goldsmiths Choral Union, Highgate Choral Society, and Philharmonia Orchestra, conductor Brian Wright, soloists Helen Watts (contralto), Robert Tear (tenor) and Gwynne Howell (bass), perform The Dream of Gerontius, Royal Festival Hall, S.E.1, at 8 p.m.

SPORT

Cricket: Glamorgan v New Zealand, Swansea. Tennis: Wimbledon championships. Fencing: Commonwealth championships, Glasgow.

COMPANY NEWS + COMMENT

Greene King accelerates to £4.25m

TAXABLE PROFITS of Greene King and Sons, the Suffolk-based brewing group, expanded from £3.6m to £4.25m in the year ended April 30, 1978, after being ahead from £1.68m to £1.92m in the first six months.

When reporting on the interim figures the directors said that demand continued to grow and although costs were eroding margins they forecast at least the same percentage growth of profit in the second half.

Net profits before extraordinary items come through at £2.12m against £1.84m and earnings per share are stated to be up from 17.9p to 20.6p.

The net dividend is raised from 6.5033p to 7.2557p with a final of 4.5787p calculated on a 33 per cent tax basis—if ACT stays at 34 per cent the final will be 4.5104p. In the event of some relaxation in dividend control being announced prior to the date of the AGM it is intended to declare out of 1977-78 profits a third interim of 0.7443p.

	1977-78 £	1976-77 £
Group turnover	38,539,317	32,178,148
Trading balance	4,812,840	3,933,581
Dividends and interest	397,478	442,623
Makins	5,210,118	4,376,204
Depreciation	717,034	549,555
Directors remuneration	110,969	88,853
Auditors remuneration	17,225	17,365
Interest paid	111,860	129,483
Share associate	468	†12,523
Pre-tax profit	4,252,523	3,612,961
Taxation	2,134,475	1,773,427
Net profit	2,118,048	1,839,534
Extraordinary items	198,373	370,220
Dividends	748,142	668,768
Capital reserve	198,373	370,220
Debenture reserves	25,000	25,000
General reserve	1,275,000	1,100,000

† Profit.

● comment

Greene King's continued profits growth has been achieved on the back of buoyant sales with the one-fifth rise in turnover implying a volume gain of about 8 per cent. Demand for cask beer—traditional bitter and Abbot Ale—was very strong, in particular, from the free trade, which took more than a third of production. Sales of lager and bottled beer have improved further while wines—especally table wines—continued to push ahead. Trading profit margins have improved in the second half, which turned in better-than-expected growth in both sales and profits. Prospects for the current year are good though Greene King could do with a drier summer. So the company should advance at about the same rate of growth as last year which mens pre-tax profits around the £5m level. The shares at 257p yesterday give a p/e of 12.2 and yield 4.3 per cent, covered 2.8 times.

MAGNUM FUND

Copthall Tilburg has received acceptance from shareholders of Magnum Fund, amounting to 93.92 per cent.

Copthall now intends compulsorily to acquire the remaining shares, so the offer will be extended until July 12.

INDEX TO COMPANY HIGHLIGHTS

Company	Page	Col.	Company	Page	Col.
Birmingham Pallet	23	2	Kinta Kellas Rubber	23	5
Blackman & Conrad	23	5	Lees (John)	24	7
Braid Group	22	5	Legal & General	24	6
Braithwaite	22	4	Mansfield Brewery	22	6
Burtonwood Brewery	23	3	Prudential Assurance	24	6
Celestion	22	2	Scottish & Newcastle	24	1
Colmore Inv.	24	3	Shaw Carpets	23	6
Daily Mail Trust	24	8	Smith (David S.)	24	5
Edinburgh & Dundee	24	8	Stroud Riley	22	3
G.E.C.	23	1	Swan Hunter	24	4
Gough Cooper	23	4	Thermal Syndicate	23	2
Greene King	22	1	Wellman Engrg.	23	8
Indepedent Newspapers	23	6	Wilkis & Mitchell	22	7

Celestion turns in £1.18m

INCLUDING A £77,318 contribution from Wood Bastow Holdings, profits before tax of Celestion Industries rose from £1.09m to £1.18m in the year ended April 1, 1978.

Turnover rose from £12.39m to £20.03m with Wood Bastow contributing £5.62m.

The directors say the WB performance was disappointing but since acquisition date—November 25—better financial controls and increased productivity have resulted in an improvement which is expected to be maintained in the current year.

Net earnings per share on higher capital are shown at 5.09p (3.49p) and the directors are recommending a dividend of 0.75p per share compared with the forecast 0.65p and 0.429p in the previous year.

Most of the freehold and long leasehold properties of the group have been revalued. The result is a surplus of £874,128 over book value, which has been added to reserves without taking into account any potential capital gains tax liability.

The goodwill and acquisition costs of £614,391 which arose as the result of the purchase of the Wood Bastow Group have been written-off against reserves. Wood Bastow made a trading loss before tax of £511,867 for the period from July 3, 1977 to the date of acquisition and this is part of the goodwill figure, the directors say.

● comment

Pre-tax profits at Celestion Industries are up 8 per cent on turnover 62 per cent ahead, although second half profits were 19 per cent down, discounting Wood Bastow's first time contribution. Full year profits from the group's loudspeaker side were some £85,000 lower with poor home demand at Christmas doing much of the damage. Almost two-thirds of the group's products here are sold abroad, either as direct UK exports or through Celestion's French, German and American subsidiaries—the group says growth prospects, particularly in France, are excellent. Meanwhile, losses of more than £½m from Wood Bastow, which went abruptly into deficit after recording pre-tax profits of £600,000 in the full year before takeover, have been taken out of reserve. Celestion is cagey about the future except to say that a recovery is under way. WB's main customer is Marks and Spencer accounting for some 80-85 per cent of its sales, and once the undisclosed internal difficulties are out of the way, the group says it is still confident that Wood and Bastow's wide range of garments will complement existing clothing manufacture. The shares slipped 1½p to 32p and stand on a p/e of 6.1 with a yield of 3½ per cent.

Upturn at Stroud Riley

SECOND HALF PROFITS of Stroud Riley Drummond, the worsted suiting and knitted fabrics group, amounted to £278,000, taking the total for the year ended March 31, 1978, up to £479,968. In 1976-77 the profit reached £331,727 which followed a depressed £65,000 in the first half of that year.

This result comes close to the record £496,000 achieved in 1973-74 after which profits fell away and there was a loss of £234,000 in 1975-76.

When reporting on the first half figures the directors said that the order book remained satisfactory and unless there was a deterioration in world trading conditions, they hoped that the improvement would be maintained for the full year.

Group turnover went ahead from £6.23m to £7.46m. The profit was struck after depreciation, etc., of £152,089 (£161,432); providing for tax of £43,139 (£134,069) earnings per 25p share are stated to be up from 5.4p to 12.79p.

The dividend is partially restored with a final of 1.0p making a total of 1.5p compared with 1.0p.

Mansfield Brewery increase

FOR THE year ended March 31, 1978, Mansfield Brewery has produced a profit increase of £364,000 to £1,589,000. At halfway the rise was £243,000.

Turnover rose from £14.78m to £18.89m. After tax £1,234,000 (£1,147,000), net profit came out £1,589,000, against £1,312,000, and earnings are shown at 30.5p, compared with 25.3p, per £1 share.

The dividend is stepped up by 1p to 7.5p net with a final of 5.19p.

Braithwaite cut back to £1.02m

EXPORTS CUSHIONED some of the adverse impact of the severe depression in the building industry for Braithwaite and Co. Engineers, in the year to March 31, 1978. Even so taxable profit for the period fell from £1.92m to £1.02m after a decline in the first half to £464,000, against £928,011.

The directors also point out that, as usual, no account has been taken of substantial claims not yet agreed on long term contracts. The profit sharing scheme for employees introduced during the year took £101,989. Turnover by the bridge and constructional engineering group was down at £11.79m (£13.01m).

Tax took £529,000 (£1.01m) for earnings per £1 share of 17.9p (33.6p) on capital increased by the one-for-one scrip issue in September. A net final dividend of 5.768p takes the total to 7.748p (3.846p equivalent).

The directors say the final effectively sustains the payment on the increased capital and it is expected that this level can be maintained.

An executive share option scheme and a save-as-you-earn employees' share option scheme is proposed which would involve 7.2 per cent of the present issued ordinary.

ISSUE NEWS AND COMMENT

Cartiers offer to raise £1.77m

Cartiers Superfoods, the Kent-based supermarket discount group which has announced its intention to come to the market, is making an offer for sale to raise £1.77m.

The offer is for 3.21m ordinary shares of 20p—about 25 per cent of equity—at 55p per share. The application list will open on July 12.

Around 52 per cent of the capital will be held by Mr. Lew Cartier, chairman, about 16 per cent by his fellow directors and just over 7 per cent by Crossfriars Trust.

At the offer price, the market capitalisation is £7.1m, and the fully taxed p/e is 11, or 8 on the expected tax charge. The yield is 6.5 per cent.

Over the past seven years Cartiers has shown impressive growth record for a company in the highly competitive food sector. In 1972 sales were £0.5m, growing to £20.12m for the year to end January, 1978.

For the current year the directors are forecasting sales of around £28.5m and profits of £1.25m (£0.83m), with a dividend of 2.412p net. Current sales area amounts to 118,000 sq ft and five new stores will lift this to 187,000 sq ft by the end of 1979.

The funds raised by the offer will be used to finance expansion after this period, which will be at the planned rate of at least 50,000 sq ft (net) a year. Cartiers' long-term strategy is to eventually move into Sussex, Essex, Surrey and South London.

At present Cartiers claims to hold the largest market share (grocery and food) in Kent—around 15 per cent.

The chairman said that margins, currently around 4 per cent, would improve as volume sales increased through new openings.

Cartiers supermarkets offer a range of about 4,000 items, some with in-store bakeries and butcheries.

Brokers to the issue are Messel and Co.

● comment

With the High Street price war undermining the profits of the likes of Tesco and Sainsbury, now would not seem to be the best time for a food retailer to come to the market. However, Cartiers Superfoods has seen its profits rise from £47,000 to £828,000 over the last five years and is forecasting another 50 per cent increase in the current year. The company has five new stores in the pipeline, which will increase the selling area by 58 per cent by the end of 1979, and plans to add around three stores a year (totalling 100,000 sq ft) over the longer term. With this sort of expansion profit growth should be fairly well assured for the next couple of years and it is the intention that dividends for the 1979-80 financial period will increase in line with profits. Although the group's net margins have declined from 4.9 per cent to 4.1 per cent between 1975 and 1977 they are still noticeably higher than those of most other supermarkets and one of the 1978-79 profit assumptions is that they will rise to 4.4 per cent this year. However, the big question is whether they can be maintained at these levels during a long drawn-out High Street price war? Cartiers' management believe they are at least as competitive as Tesco, etc., and can buy as cheaply. Only time will tell. Meanwhile, a yield of 6.5 per cent at the issue price of 55p is comfortably above competitors' yields and should assume the issue of healthy support.

Convertible pref. from Williams & James

Williams and James (Engineers) is to raise £660,000 by a two-for-nine convertible preference rights issue and a 12-year mortgage loan to finance a planned 20 per cent expansion of productive factory space.

The preference rights issue is being made, according to chairman, Mr. D. R. James, on the recommendation of the company's financial advisors, Industrial and Commercial Finance Corp. It is designed to give the 1,800 shareholders a higher average yield on their investment and to strengthen the borrowing base by increasing the level of shareholders' funds.

With a share price that has fluctuated between 52p and 84p this year and only 1.8m shares in issue it would have taken an ordinary rights issue of at least four-for-nine at a heavy discount to raise the required equity capital.

The cumulative redeemable preference shares are convertible into ordinary shares on December 31 in any of the years 1983 to 1988 on the basis of 10 ordinary shares for every nine convertible preference shares, giving an equivalent conversion price of 90p for each ordinary share.

The issue has been underwritten by ICFC and is subject to the approval of shareholders at an extraordinary meeting on July 31. The ICFC is also providing a £260,000 mortgage loan repayable over a period of five years.

In a letter to shareholders outlining the proposal, Mr. James says that group sales in the first five months of the current year are 46 per cent higher than in the same period a year ago. The value of orders outstanding at May 31 was 44 per cent greater than at the same time last year.

BIRMINGHAM DC

Birmingham District Council's £50m Floating Rate Stock 1983-85 was fully subscribed when application lists closed yesterday.

All applications from the public were allotted in full. About 40 per cent of the issue was believed to have been taken up by non-financial institutions.

HUNTING

The offer for sale of 2.7m ordinary shares of 25p at 85p per share in Hunting Petroleum Services was oversubscribed about three and three quarter times when lists opened and closed yesterday.

Details of the basis of allotment will be announced today.

Braid falls at interim stage

ON TURNOVER of £13.81m against £12.11m pre-tax profits of Braid Group, vehicle distributor, etc., declined from £401,382 to £339,246 in the six months to March 31, 1978.

Stated earnings per 5p share are 2.49p (3.08p) and the interim dividend is increased from 0.43257p to 0.47582p net at a cost of £28,549 (£25,954). Last year's total dividend was 1.37768p from profits of £906,576.

After tax for the first half of £186,000 (£213,000) the net balance emerges at £153,246 (£188,382).

EUCALYPTUS PULP MILLS

Because of a delay in remittances from Portugal Sir John Colville, chairman of Eucalyptus Pulp Mills tells holders that in the circumstances the directors can do no more than forecast a total dividend of 4.25p for 1977 which would compare with 5p. It is intended to declare an interim dividend of 1.5p as soon as the second monthly instalment from Portugal is received which is expected to be by the date of the AGM. A second interim of 2.75p is intended to be paid as soon as possible after the last instalment of the 1977 dividend has been received early in November.

In yesterday's report on the figures is was incorrectly stated hat the 1977 final dividend was being omitted.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Anglo-American Sec. int.	1	July 31	1	—	3
Benn Brothers 2nd int.	1.58	April 6	1.42	2.36	2.12
Birmingham Pallet int.	2	Aug. 21	1.5	—	5.8
Blackman & Conrad	nil	—	nil	nil	1.38
Braid Group int.	0.48	Aug. 18	0.43	—	1.38
Braithwaite	5.77	Oct. 2	2.06	7.75	3.85
Burtonwood Brewery	3.4	Aug. 25	3.1	3.4	3.1
Celestion Inds.	0.75†	Sept. 6	0.43	0.75	0.43
Colmore Invs.	1.4	—	1.82	2.4	2.17
D. Mail & Gen. Tst. 2nd int.	8.39	Aug. 30	—	—	11.56
General Electric	2.38‡	Oct. 2	1.8	4.38	3.62
W. Duncan Goodricke	12	Aug. 11	10	12	10
Gough Couper int.	1.98	Aug. 21	1.95	—	5.28
Greene King	4.58	Aug. 17	4.51	7.26	6.5
Independent News int.	4.06	—	2.44	—	6.5
Kinta Kellas Rubber	2.5	—	2.4	3.5	2.93
John J. Lees	1.55	Aug. 25	1.41	2.1	1.91
Mansfield Brewery	5.19	—	4.94	7.5	6.5
Scottish & Newcastle	2.06	Aug. 22	1.85	3.41	3.1
Shaw Carpets	2.5	—	nil	2.5	0.88
David S. Smith 2nd int.	1.41	July 28	1.3	2.66	2.4
Stroud Riley	1.0	Aug. 30	1.0	1.5	1.0
Thermal Syndicate int.	2	Aug. 10	3	—	6.7
Wellman Eng.	1.25	Sept. 7	1.1	2.39	2.15
Wilkins & Mitchell	nil	—	nil	0.25	0.1

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Includes special bonus of 0.335p.

Wilkins & Mitchell back in the black

A SECOND-HALF improvement enabled Wilkins and Mitchell, the Midlands-based engineering group, to turn round from a loss of £521,000 to a pre-tax profit of £64,000 in the year to April 1, 1978.

There is, however, again no final dividend, so the net interim, up from 0.1p to 0.25p per 25p share, is the total for the year.

The loss per 25p share is shown to have fallen from 9.14p to 1.23p.

At the interim stage, announcing a pre-tax loss up from £508,000 to £611,000, Mr. Henry Wilkins, chairman, said that given reasonable market conditions in the domestic appliance division, the year-end result from UK operations should enable the group to show a small surplus.

There has been a further improvement in UK trading since the end of the financial year, Mr. Wilkins reports. So group results for the first six months of the current year are expected to show a reasonable profit, despite continuing difficulties in Australia.

In that event, Mr. Wilkins adds, the directors hope to pay an increased interim dividend.

The pre-tax result was struck after adding £381,000 exceptional items (nil). These include a £626,000 profit arising from the adoption during the second half year of a new form of maintenance contract by the domestic appliance division.

In May, reporting a £4m order from the Middle East for twin-tub washing machines, Mr. Wilkins said: After two disappointing years, both sides of the business were healthily trading in profit. Even the Australian subsidiary company, whose losses were mainly responsible for the group's deficit of £611,000 at midway, was starting to trade without further losses.

He now says that although trading operations in the UK during the second half showed a material improvement over those for the first six months, overseas losses were greater than expected.

Subject to the approval of the Bank of England, Servis Domestic Appliances, a wholly-owned subsidiary, intends to make an offer for Sew-Tric Holdings for a total of £250,000 cash.

A formal offer document will be sent shortly. Net tangible assets of Sew-Tric at April 30, 1978, amounted to £402,000 after taking into account loss for the six months to that date of £87,000.

● comment

The new form of maintenance contract on domestic appliances adopted by Wilkins and Mitchell in the second half of its 1977/78 year enabled it to scrape into the black for the first time in two years. Its UK operations returned a trading profit, albeit only small, largely because of the strong improvement in the machine tool sector in the six months to March 31. This improvement in outlook for the machine tool activities also explains the more than seasonal improvement in revenue in the second half. But the Australian operations, despite a major reorganisation, continue to retard the group's recovery. Losses in Australia in the second half were greater than anticipated because the Wilkins Servis subsidiary did not make the sales that the parent board had expected. Results in the current year are also being held back by the Australian problems. Despite these, the company is predicting an increased interim dividend in the current year. At 47p the shares have a yield of less than 1 per cent.

GEC maintains growth and shows £47m jump

DESPITE A £47m jump in 1977-78 profits and net cash of £617m shareholders in the General Electric Company will not be getting a big dividend boost if the present period of restraint ends, as expected, on July 31.

Figures for the year ended March 31, 1978, show that profit growth evident at the interim stage was maintained in the second six months; the group pre-tax balance for the full year emerges at a record £325.3m, compared with £278.3m after showing a rise from £121.1m to £144.8m in the first half.

The profit included interest and investment income up from £30.4m to £36.6m but was struck after a full year's interest of £18.8m (£1.2m) on the capital notes issued by way of scrip to ordinary holders last July.

The attributable balance comes through at £155.1m, compared with £131.4m, giving earnings per 25p share of 28.26p, compared with 24.11p or with 20.77p adjusted to allow for the reduction in capital on the capital note issue.

The directors explain at length why for several years before the introduction of the current dividend legislation GEC was obliged to apply a policy of dividend restraint. This they say was due to a stringent financial situation in the early 1960s and by commitments subsequently assumed through acquisition and merger.

The establishment of the group's prosperity in the early 1970s coincided with the advent of legislation which gave the Board no option but to continue to hold down dividends to a rate appropriate to the former situation. Introduced at a time when only low dividends had been paid to GEC holders the directors feel that dividend control operated particularly unfairly against them.

However in the present political and economic circumstances they consider it would be imprudent to try to rectify this injustice in too short a period. Even if the present limitation has already been lifted the directors would not now recommend a "sudden and drastic increase" in dividend.

However it is proposed to pay holders something extra. Provided the legal right to do so exists after July 31 it is proposed to pay a bonus of 0.335p per share out of extra revenue earned on additional funds compulsorily retained as a consequence of limitation.

This would be in addition to a proposed final dividend for 1977-78 of 2.045p. The aggregate total for the year would thus go up from 3.622p to 4.38p—equal to 6.58p gross. The cost would be £24m (£19.8m).

The directors point out that the equivalent figure for 1971-72 (the last before the present controls), adjusted for the change in the cost-of-living index, would now be 8.66p per share. And if the 1971-72 dividends were increased by reference not to the rise in the cost-of-living, but to percentage increase in average remuneration of GEC employees over the same period, the present equivalent would be 8.96p per share. The directors say that the modesty not merely of the bonus but of the total dividends for the year is plainly demonstrated by a 6.5 times dividend cover.

	1977-78 £m	1976-77 £m
External sales	2,343	2,055
Profit†	344.1	279.5
Capital note interest	18.8	1.2
Profit before tax	325.3	278.3
Tax (incl. deferred)	186.9	148.6
Net profit	138.4	129.7
Minorities	3.3	3.2
Attributable	155.1	131.4

† Includes interest and investment income £36.6m (£30.4m) and share of associates profits £13.7m (£18m).

An analysis of total turnover and contribution to earnings shows: Power engineering £393m (£306m) and 19 (15 per cent), industrial £294m (£281m) and 20 (23) per cent, electronics, automation and telecommunications £672m (£576m) and 26 (26) per cent, components, cables and wire £298m (£256m) and 11 (12) per cent, consumer products £245m (£222m) and 4 (5) per cent, and overseas £608m (£565m) and 20 (19) per cent.

See Lex

Birmingham Pallet ahead at midway

As forecast in the last chairmen's statement, results of Birmingham Pallet Group, engineers, for the six months to April 30, 1978 show an improvement to which both divisions have contributed.

Pre-tax profits for the period advanced from £93,000 to £121,000 and the directors report that demand for the group's products remains steady.

They expect that profits for the second half will be similar to those now reported. This would give a full year figure of around £242,000 compared with £142,000.

The net interim dividend is raised from 1.5p to 2p. Last year's total was 3.6p.

Record by Burtonwood Brewery

GROWTH IN taxable earnings to £777,173, against £674,485, in the second six months at Burtonwood Brewery Company (Forshaws), lifted full-time profit for the year to March 25, 1978, from £1.3m to a record £1.54m. Sales were £1.51m higher at £10.94m.

At halftime, when the surplus was £763,545 (£624,057) the directors said that trade had shown a continued upward trend, particularly in the sale of the group's own draught beers. They looked forward to a further advance in the second half.

After tax of £797,000 (£663,000) earnings per 25p share for the year are stated at 16.9p (14.4p) and the net dividend is stepped up by the maximum permitted to 3.404p (3.095p).

The directors say they have continued their policy of acquiring sites and premises for conversion to licensed houses. Three such acquisitions are now operating and several others will do so in the present year.

They intend to utilise available liquid assets in investments of this nature. They have also entered into a small number of joint operations for certain of their houses with the object of increasing profit potential.

ASSOCIATES DEALS

Rowe and Pitman Hurst Brown bought 10,000 Cement-Roadstone Holdings at 81p for a discretionary investment client.

Rowe and Pitman Hurst Brown also sold for a discretionary investment client 2,416 Cement Roadstone Holdings ordinary shares at 79p.

Hill Samuel and Co. purchased 50,000 Econa ordinary shares at 91p, for their own account.

Gough Cooper contract loss

AFFECTED BY a pre-tax loss of £301,000, against a £112,000 profit last time, in contract housing Gough Cooper and Co., estate developers, reports a slump in pre-tax earnings from £579,000 to £285,000 for the half year to March 31, 1978.

Mr. John Boardman, the chairman, says a policy decision was made some months ago that the group would not undertake any more contract housing until such time as margins improved.

Despite these difficulties the prospects for private housing, plant hire and property investment are encouraging, he adds. For 1976-77 profit was £1.25m.

The net interim dividend is 1.98p (1.95p). Last year's final was 3.33p.

A recent professional valuation of all group properties, including the Dartford Trading Estate, showed a £4.3m excess over book value. This will be written into the current year accounts.

The upturn in private house sales has not yet had any real impact on the results. Replacement land for private housebuilding is in very short supply, but the company has been able to purchase several parcels of land for virtually immediate development, the chairman states. He adds that, as expected, there was no substantial contribution to profits from the sales of undeveloped land during the period.

Hawley plants performed exceptionally well and continues to expand and improve its results, and G.C. Power Tools is making steady progress.

Property investment produced a surplus of £256,000 (£228,000). Due to rent reviews income from property will again increase and one further property has been bought, he says.

Because of the continuing depressed state of the construction industry, margins for the builders' merchanting side came under pressure but full year figures are expected to be satisfactory.

On June 30 the group bought Kent Heating Group, contractors carrying out heating, ventilating and plumbing work in the South East for £500,000. This company's profits are currently £120,000 a year.

The group's cavity insulation subsidiary has entered into licensing agreements with operators in the north of England and Scotland for use of its system.

● comment

Gough Cooper's gamble on high volume, low margin housing association and local authority contract work—which it hoped would see it through the sluggish housing cycle—has failed. Prices have not kept up with costs and other activities have not proved substantial enough to offset any of the setback. Turnover is up by nearly three-quarters to almost £12m, boosted principally by a 76 per cent increase in the number of completions on housing contract work. But pre-tax profits are halved to £285,000. There was a £413,000 turnround into loss in contract work. The group says that it has been difficult to attract skilled workers, and its problems have been further compounded by its selling policy. It sells houses as much as six months in advance of completion so has not had any of the benefits of higher prices earlier this year. A better second half is promised so may be Gough could make £600,000 for the full year. On that basis the shares at 70p stand on a prospective p/e of 18.6, and yield, assuming a maintained dividend, 11.8 per cent uncovered by prospective earnings. The shares will be vulnerable.

Blackman & Conrad loss of £163,000

Blackman and Conrad, maker of children's and adults' clothes, incurred a pre-tax loss of £163,000 in the year ended January 31, 1978, against profits of £103,796 in the previous 16 months. Turnover was £9.89m (£14.27m).

In the first half—to July 31—a loss of £204,000 was reported but the directors said then that there was a satisfactory order book for the second six months and they anticipated better results at the year end.

The deficit for the year includes an extraordinary surplus of £52,000 on the sale of property and is before a tax credit of £65,000 (£67,720 for 16 months).

Loss per share is 2.02p (0.74p earnings) and again there is no final dividend. A single interim only of 1.375p was paid in the previous period.

Second half recovery by Shaw Carpets

A TURNROUND of over £1m between the first and second half of 1977/78 has been achieved by Shaw Carpets. Following the first half loss this has given the group a pre-tax profit of £699,000 for the year ended April 30, compared with a deficit of £229,000. When reporting at halftime the directors envisaged profitable trading in the second half.

Mr. James Hartley, chairman, says that the second half recovery was due to real improvements in sales and productivity. The results were achieved despite unusually difficult trading conditions in both home and export markets—UK industry deliveries were down by some 6 per cent on the previous year.

Having regard to the improved performance and to confidence in the future the directors are recommending a dividend of 2.5p which compares with an interim and only payment of 0.875p in respect of 1976/77. Earnings per 10p share are shown to be up from 1.5p to 3.8p.

On prospects the chairman says that considering the economic stagnation which prevails internationally and the worldwide overcapacity for the production of carpets, the outlook at the present time for the UK carpet industry is not encouraging.

"However, even in difficult times there are individual companies which prosper. We have recently made good progress and I am confident that the current year will be a rewarding one."

	1977-78 £000	1976-77 £000
External sales*	25,053	20,138
Trading profit	1,972	1,350
Depreciation	989	680
Interest	284	347
Millitron costs	—	552
Profit before tax	699	†229
Tax (1977 recoverable)	337	391
Net profit	362	162
Preference div.	28	28
Available Ordinary	334	134
Ordinary dividend	218	77

* Including direct exports. † Loss.

The chairman says that the group's investment in Millitron (a computer-controlled dye-injection machine for colouring and patterning carpets) has begun to pay off and it will earn a valuable return in the foreseeable future.

The sales subsidiaries in France and Germany have now moved into profit, as predicted. Mr. Hartley expects this improvement to be maintained.

The chairman points out that depreciation comfortably exceeded capital expenditure of £249,000 and there was an overall cash improvement of £1,240,000. There are no plans for any significant capital expenditure, and the aim is to secure a further substantial improvement in liquidity during the current year.

● comment

With the carpet industry still showing no signs of recovery, Shaw has turned in an excellent set of second half figures and the shares jumped 5p to 37p. Turnover was 38 per cent higher and first half losses of £304,000 have been transformed into full-year profits of £699,000. Shaw's sales rise in the second half—nearly all of which represents increased volume—was achieved at a time when UK carpet deliveries were around 5 per cent lower. Unlike other companies, the big push for volume sales was not at the expense of margins, which were 7.3 per cent, compared with Homfray's 2.2 per cent over the same period when sales were up 16 per cent. Shaw says it was able to contain costs by using more efficient machinery, and through a beneficial productivity deal made with employees. Although conditions in the carpet sector will continue to be difficult until the economy gets under way again, Shaw is clearly over the hump. The French and Germany subsidiaries are back in profit and the company should now be able to make inroads into the woven market through the Millitron dye-injection process, which will reduce costs. While the return to the divdend list will put some strain on liquidity, the shares are on a p/e of 8.8 and the yield is a healthy 11.3 per cent.

Gough Bros improving

Mr. Ray Gough, chairman of Gough Brothers, told shareholders at the AGM that sales in the first three months of the current year had been much better than anticipated although the figures may be flattering because of the mediocre turnover in the same period of last year.

He said that integration with Ellis and Co. (Richmond) was proceeding very well. "I believe that the results for the first half year, although distorted by the merger, should be satisfactory," said Mr. Gough.

Wellman profit up 10%

THE ADVANCE in profits expected by the Wellman Engineering Corporation for the year ended March 31, 1978 emerges as a 10 per cent rise to £1.55m. First half profits had increased from £473,076 to £549,475.

Earnings per share before extraordinary items are shown at 6.09p (5.74p) and asset value per share, 61.1p against 53.5p. A final dividend of 1.246p makes a maximum permitted 2.396p compared to 2.145p previously.

During November 1977, the group acquired from Hanson Trust certain of the assets and the business of British Furnaces. Simultaneously a non-trading group subsidiary which acquired this business changed its name to British Furnaces and now operates from the offices and works at Chesterfield as designers and manufacturers of specialised industrial furnaces and equipment.

	Year 1977-78 £	Year 1976-77 £
Turnover	17,862,229	19,185,575
Operating profit	1,183,564	925,982
Associates share	55,055	42,961
Investment income	314,493	440,052
Profit before tax	1,553,112	1,408,997
Taxation*	799,619	762,453
Net profit	753,493	646,544
Extraord. items†	184,645	120,139
Dividends	269,883	241,609
Retained	298,965	284,796

*Comprises UK tax £745,934 (£414,036); Overseas taxes £1,424 (£15,347); Deferred tax £419,203 (£316,779) less DTR £942 (£9,822); Associates overseas tax £24,000 (£26,113). UK tax reduced by £8,224 (£20,136) over-provisions relating to previous years. †Goodwill written off being premium on acquisitions £177,789 (£129,934) and deficit on currency realignments £6,856 (£9,795 surplus).

Thermal down and cuts interim

PROFITS BEFORE tax of Thermal Syndicate dropped sharply from £551,000 to £202,000 in the first half year to April 30, 1978, but Mr. J. S. Paget, the chairman expects the second six months to be much better.

He says that despite the fact that there is no sign of any general economic upturn, he expects second half profits to exceed those now reported. However, the overal figure will be less than the £1.13m achieved last year.

As a measure of prudence the directors are reducing the interim dividend from 3p to 2p net per share costing £106,000 (£159,000). The previous final was 3.7p.

Sales for the half year amounted to £5.17m (£4.77m). Tax charge is £67,000 against £275,000.

The chairman warned in March that profits in the first half would be lower than in 1977. The world-wide depression in the group's highly specialised market is continuing and the immediate outlook is not promising, he says. As a result of these conditions the level of competition has been very high, particularly from countries where sterling has remained strong relative to local currencies, and this has had a significant bearing on the UK and German trading results.

Early in the year, and within the bounds of competition, modest prices increases were obtained for some UK products but these have not been sufficient to offset increases in general overheads and payroll.

Weather conditions in the U.S., coupled with the move to Delaware, meant that Thermal American Fused Quartz Co. only managed to break-even during the period. However, with production now back to normal a useful contribution in the second half is expected.

In contrast, the U.K. engineering subsidiary, Special Metals (Fabrication), had a much improved half and is expected to make further progress during the rest of the year.

As is normal practice, no profits arising from the sale of processes and the construction of associated plant at this stage, have been included in the first half, but the year-end contribution will not be less than that included in last year's accounts.

● comment

Thermal Syndicate's highly specialised business—the manufacture of vitreous silica, a "glass" product used in lighting, aerospace, domestic heating and scientific equipment industries—remains depressed by the difficult economic conditions worldwide. Profit margins have apparently been sacrificed as the company sought to retain its competitive edge in the face of stiff overseas competition. The relative strength of the pound has also had a significant bearing on the UK and West German results. The U.S. subsidiary has only managed to break-even in a period interrupted by expansion at its Delaware plant and by bad weather conditions early this year which disrupted supplies of raw materials. U.S. production has since resumed while the UK engineering subsidiary, Special Metals, is expected to make further progress. Though second half pre-tax profits may be better than those just reported, full year results could be significantly lower than the profits of £1.7m in 1976/77. At 97p—down 17p yesterday—the shares are capitalised at £5.1m.

Kinta Kellas Rubber slips

INCLUDING TIN tributes lower at £107,510 against £141,334, pre-tax profit of Kinta Kellas Rubber Estates slipped from £496,380 to £477,698 for the year to March 31, 1978. Turnover was also down at £1.13m, compared with £1.36m.

Stated earnings per 10p share came out at 4.73p (5.6p) and a net final dividend of 2.5p lifts the total to 3.5p (2.925p).

Profit included investment income of £131,198 (£71,449) and was after charging replanting and replacements expenditure of £70,045 (£73,664).

Independent News. headway

INCREASED contributions from trading subsidiaries of Independent Newspapers led to better profits margins and to a 66 per cent pre-tax profit advance to £1.36m on turnover 39 per cent higher at £13.06m.

The turnover rise was due to increases in both advertising charges and the volume of advertising sold, the lifting of cover charges and circulations of main publications and the taking into account of Sunday World revenue.

	Half year 1978 £000	1977 £000
Group turnover	13,068	9,400
Trading profit	1,541	923
Depreciation	181	105
Profit before tax	1,360	818
Tax	544	368
Net profit	816	450
Minority profits	93	—
Available	723	450
Interim div.	305	154

The directors report that the poster company has extended its operations in Europe and is now examining other investment opportunities throughout the world.

The net interim dividend is lifted from 2.4375p to 4.0625p on earnings stated at 9.62p (5.99p) per 25p share. Last year's total dividend was 6.5p from record profits of £2.09m.

● comment

Taxable profits at Independent Newspapers topped £2m in the last full year and with interim profits now up 66 per cent the total this time could approach £3m. The group has a solid Irish national and provincial newspaper core which benefited from a 12 per cent growth in advertising volume, a 15 per cent rate increase last November, and even some overall circulation improvement—this despite average cover price rises of 20 per cent compared with the previous six months. Independent, however, is not just about newspapers. About £½m of the extra profit admittedly came from the recently acquired Sunday World. The rest of the growth, however, has come from the highly successful German poster group and the Miss London magazine (which increased its advertising volume by 40 per cent). The poster group, where Independent bought slightly over half the shares for £140,000, is heading for profits this year of about £½m. The company plans to buy another 12 per cent for £200,000 and is expanding operations to other countries. Independent is also looking out for more venture capital investments allied to its existing businesses. At 145p the shares stand on a prospective p/e of over 6.

BANK RETURN

	Wednesday July 5 1978	Inc. (+) or Dec. (—) for week
BANKING DEPARTMENT		
LIABILITIES	£	£
Capital	14,553,000	—
Public Deposits	22,759,354	— 3,272,443
Special Deposits	874,880,000	+ 216,700,000
Bankers	438,445,375	+ 80,282,428
Reserves & Other Accts	547,583,090	+ 15,618,368
	1,898,199,819	+ 311,328,453
ASSETS		
Govt. Securities	1,477,755,088	+ 330,195,001
Advances & Other Accounts	193,475,601	— 16,959,790
Premises, Equip't & other Secs	211,180,199	+ 10,591
Notes	15,589,556	— 1,906,431
Coin	168,706	— 10,918
	1,898,199,819	+ 311,328,453
ISSUE DEPARTMENT		
LIABILITIES	£	£
Notes Issued	8,350,000,000	+ 100,000,000
In Circulation	8,334,410,444	+ 101,906,451
In Bank'g Dept.	15,589,556	— 1,906,451
ASSETS		
Govt. Debt	11,015,100	—
Other Govt. Secs	7,269,033,081	+ 114,576,251
Other Securities	1,069,951,849	— 14,576,231
	8,360,000,000	+ 100,000,000

Scottish & Newcastle second half fall

WITH A slowdown in second half taxable earnings from £14.62m to £13.28m Scottish and Newcastle Breweries ended the year to April 30, 1978, with profit marginally ahead at £35.38m against £35.11m. Though there was a 4 per cent drop in volume sales of ale and lager during the year, group turnover improved by £43.7m to £389.5m.

In Scotland, where McEwan's lager is doing particularly well, both volume and market share was increased and the directors are confident of achieving further growth of ale and lager sales in the region. This is confirmed by trading so far in the current year, says Mr. Peter Balfour, the chairman.

The directors also expect an advance in profits from managed houses and hotels and from Waverley Vinters, he adds.

Much progress in re-equipping the company has been achieved and a good start has been made to major re-organisation which, the chairman believes, will lead to faster progress and higher profits. Full benefits of the changes will not be felt for another 18 months to two years, he points out.

For 1977-78 operating profit was head to £35.21m (£33.73m). The contribution from wholesale beer was down from 72.3 per cent to 66.5 per cent at £23.16m (£24.06m) and from managed public houses down 20.6 per cent (21.6 per cent) at £7.18m (£7.17m). Hotels expanded profit to £2.54m (£860,000) representing 7.3 per cent (2.6 per cent) and wines and spirits including distilleries to £1.79m (£1.38m) or 5.2 per cent (4.1 per cent). Other group activities and adjustments produced a £153,000 surplus (£193,000 loss).

There was also a profit on disposal of assets of £206,000 (£27,000), on redemption of debenture capital £183,000 (£436,000) and other gains £9,000 (£8,000 loss).

Tax, after adjustment for the treatment of deferred tax as in ED 19, was lower at £6.99m (£9.41m) leaving earnings per 20p share higher at 10p (9.3p). If full provision for deferred tax had been made earnings would have been 6.25p (6.22p). A net final of 2.05912p lifts the total dividend to 3.40912p (3.0992p). The directors say that no supplementary payment will be made if the rate of ACT is reduced from 34 per cent.

At year end cash was down at £5.23m (£14.88m) and borrowings had almost doubled to £22.71m (£11.8m). Last year Mr. Balfour stated that the directors expected to make capital expenditure of £40m during 1977-78 and a similar sum in 1978-79. He now says they spent £45m, including the purchase of Kensington Palace Hotel, and plans for the current year are on schedule.

Finance facilities amounting to £45m have been arranged through 1983 and £10m of borrowing through 1988. Overdrafts facilities total £18m.

By the end of this year the directors will have completed much of the relocation of the group's distribution organisation, made provision for the company's own larger capability, replaced a large part of its stock of casks and kegs, and made improvements to many of its public houses and hotels.

Agreement has been reached to sell Golf St. Cyprien to Societe d'Etudes de Participation et de Developpement on October 1, 1978. During the year this leisure and real estate complex near Perpignan, France, showed an operating loss of £0.6m for the second year running.

The total investment has been written off as an extraordinary item in this year's accounts. SEPAD will take over the company free of liabilities and the group will receive payments of FFr 8m (£1m) over the next four years, and, in addition, a royalty on the sales turnover of the existing facilities for the next 13 years.

Del Monte Kitchens has been sold to Ross Foods and cumulative losses having been written-off. A small surplus should arise as a result of the sale.

For beer marketing outside Scotland the stoppage at Newcastle in November resulted in not only a loss of sales, but also a switch by some customers to other suppliers, and lost trade will not be regained either quickly or easily in the face of fierce competition and a growing concentration on the free trade market by other brewers, Mr. Balfour says.

Installation of lager brewing capacity at Fountain Brewery is now complete and the company has arranged with Harp Lager to use its Edinburgh brewery for the production of McEwan's Lager in addition to Harp.

At Tyne brewery a line for cask racking will be completed in the autumn, and plans are in hand for the replacement of bottling plant in Edinburgh and the second high speed can line will be in operation in time for the Christmas trade.

Managed public houses, now called Scottish and Newcastle Inns, had a good year and 14 public houses were added to the managed estate. In addition the company has carried out major reconstructions at 28 Houses, sold eight Houses, and transferred 21 to tenancy.

The directors are seeking opportunities for further hotel investment and agreement has been reached to purchase Lowndes Hotel and Cadogan Hotel in London. The cost, including the shopping parade at the Lowndes Hotel, is £5.25m.

Steady progress was made both at home and abroad by the group's wine and spirit company and a new distribution warehouse has been opened in Leith to serve the south of Scotland, and work is proceeding on further development at our Leith production centre.

	1977-78 £000	1976-77 £000
Sales	389,549	345,897
Operating profit	35,213	32,732
Assoc. companies†	2,153	2,205
Financial income	1,801	3,586
Financial expenses	3,759	4,410
Pre-tax profit	35,378	35,113
Tax	6,987	9,407
Net profit	28,391	25,706
Pref. dividend	530	530
Attributable	27,861	25,176
Ord. dividends	9,661	8,307
Extraord. debit	5,749	—
Retained	12,451	16,869

†Including share of loss in Del Monte Kitchens £232,000 (£221,000).

See Lex

Colmore Investments decline

Including lower capital profit on sales of properties of £37,546 against £82,268, taxable profit of Colmore Investments finished the year to March 31, 1978, down from £235,491 to £190,850.

Turnover for the 12 months rose from £10.31m to £13.08m and there was a tax charge this time of £59,130.

The final dividend is 1.3958p net for a 2.3958p (2.1726p) total. Stated earnings per 25p share are 3.293p (5.89p).

The company's interests are in motor vehicle distribution and hire purchase.

Swan's cash share-out

BY ANDREW TAYLOR

BY THE end of October Swan Hunter shareholders should know exactly how much cash they are going to get as a result of the nationalisation of the group's shipbuilding and repair operations.

On Wednesday the Government revealed that the group is to get a total of £15m compensation worth 81.66p a share and yesterday Swan announced that final details of its capital reconstruction programme will be included in its next annual report and accounts. Judging by last year's time-table this should be available in October.

The basic principles of the reconstruction are already known—voluntary liquidation followed by the distribution of the compensation and the surplus cash inside the business and not required for Swan's remaining activities. New shares will be then issued (on a pro-rata basis) in these remaining activities.

Swan's shares yesterday jumped 13p to 141p—from Wednesday's suspension price of 128p.

Shareholders are already guaranteed a distribution of 81.66p a share as a result of the compensation payment, but this still begs the question of how much extra cash the group can realistically afford to make over to shareholders—particularly given its current difficulties at Smiths Shiprepairers (North Shields). Several hundred jobs may be affected.

Swan has already said that the ship repair business was expected to lose £1.1m in the year to June 30, 1978. It is understood that the group recently made an unofficial approach to British Shipbuilders, with a view to selling Smiths, but met with no success.

With no apparent purchaser in sight for Smiths—which employs around 1,000 workers—the group has begun talks with union representatives at the yard with a view to cutting back on labour.

Meanwhile, the news of Swans compensation has sparked off a sharp increase in the share prices of some of the other major compensation candidates with Vosper's shares rising 12p to 170, and Yarrow rising 15p to 273.

MILN MARSTERS

Acceptances of the offer for Miln Marsters by Hilleshog have now been received in respect of 929,872 ordinary shares (90.59 per cent). Hilleshog intends to compulsorily acquire the remainder.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Finals:—Christy Brothers, B. Fertleman, Hambros, Lennons, Scottish and Universal Investment, Thorn Electrical Industries, R. W. Toothill, Warner Holidays.

FUTURE DATES

Interims:—

Neil and Spencer	July 11
Pentland Industries	Sept. 11
Tube Investments	Aug. 16
Woodhouse and Rixson	Aug. 17
Yule Catto	July 14

Finals:—

Birmingham Mint	July 13
Daejan	July 13
Dale Electric International	Aug. 15
Danae Investment Trust	July 10
Diamond Stylus	July 13
Illingworth Morris	July 18
Trustees Corporation	July 20
Western Board Mills	July 18
Wrighton (F.)	July 11

David S. Smith holds £1.3m

A DECLINE in taxable earnings in the second six months from £702,306 to £633,647, left David S. Smith (Holdings) with a maintained full-time total for the year to April 30, 1978, of £1.31m, against £1.32m, as forecast by the directors in January.

Sales by the group, which has interests in photo-litho printing and carton manufacture, were better at £7.36m (£6.63m).

After tax of £684,226 (£653,992), earnings per 20p share are stated at 11.5p (12.3p) and the net total dividend is raised to 2.662p (2.4035p) with a second interim of 1.412p.

	1977-78 £	1976-77 £
Sales	7,339,418	6,627,210
Pre-tax profit	1,305,647	1,317,306
Tax	684,226	653,992
Net profit	621,421	663,314
Ord. dividends	144,063	130,074
Leaving	477,358	533,240
Brought forward	1,164,231	630,991
Carried forward	1,641,589	1,164,231

It looks a good year for life business

BY ERIC SHORT

NEW LIFE business figures published by the two giants of the industry, Prudential Assurance and Legal and General Assurance, indicate that this year is going to be a good one for the UK life assurance industry and that growth in new business has returned to a strong upward trend.

In particular, pensions business has soared as a consequence of the implementation of the Social Security Pensions Act 1975 on April 6, 1978. Individual life business has also been buoyant over the first six months continuing the recovery seen in the second half of 1977.

The Prudential saw new annual premiums on group pensions business rise by 79 per cent to £13.6m, and while business in insured schemes only advanced slightly to £6.1m, business in its managed funds quadrupled from £1.8m to £7.5m. Single premium pension business rose by £1m to £8.9m.

However, it is not expected that this level of increase will be seen in the second half of the year. Companies brought their existing schemes into line with the Act and admitted new members, mainly shopfloor workers, to coincide with the start of the Act. However, pensions business has been lifted to a new higher level of premium income.

On individual business the Pru saw an increase of 44 per cent in the UK, in contrast to last year when business rose by 14 per cent on the year. The company is not very active in the house purchase market, and the increase came primarily from changing the field staff's method of remuneration from a sum assured to a premium related basis. Self-employed pension business was also particularly buoyant.

However, the company's linked life subsidiary Vanbrugh, reported a mixed half year. Annual premium business doubled to £1m, but single premiums fell off by 14 per cent to £21.7m. Premiums on the industrial branch improved by over £1m to £18m. Individual business overseas advanced in both annual and single premiums, but group pension business dropped significantly.

Legal and General, the largest pensions company in the UK, reported a similar situation in group pensions, with new annual premiums jumping 55 per cent to £43m and single premiums by nearly 40 per cent to £12.1m. Annual premiums for insured schemes rose from £19m to £29.5m and on the managed fund from £8.8m to £13.5m. Mr. R. Peet, the company's chief executive, stated that these figures confirmed earlier forecasts of employers improving their pension schemes, but he considered that there was still room for further significant improvement.

New annual premiums for UK individual business rose to £10.7m from £8.3m—contracts associated with house purchase increasing by 45 per cent, self-employed pensions business by 40 per cent and small scheme executive pension schemes by 50 per cent.

The company's unit-linked subsidiary recorded £5.1m of premiums in the first half of the year and £6.5m since its launch last October.

Finally, Albany Life Assurance, the UK linked life subsidiary of American General Insurance Group, reported record figures for the first six months. New annualised premiums doubled to £1.3m, while single premiums amounted to £5.6m compared with £6.2m for the whole of 1977.

See Lex

John J. Lees profit ahead to £132,511

Following the December forecast of higher profits for the year to March 31, 1978, John J. Lees, confectionery maker, has turned in a £19,374 increase to £132,511 from sales up £339,400 to £1.52m.

First half profits had fallen from £60,943 to £54,009 but the directors said that figure was not materially different from the £52,194 earned in the second half of the previous year. Trading at that time led them to expect full year profits in excess of the previous year.

The year's profit is after non-trading income of £1.39m against £1.07m, but before tax of £60,180 (£56,230).

The final dividend is 1.55p per 10p share raising the total from 1.9078p to 2.1p.

Property Hldg. & Investment

DURING THE March 31, 1978, year Property Holding and Investment Trust continued to sell flats in a buoyant market to the value of £846,000 and Mr. A. W. John, chairman, tells members in his annual statement that further substantial sales are expected in the 1978-79 year.

Expected eventual gross proceeds of flats unsold at March 31 are £2.7m compared with a book value of £877,000. The group also sold other properties for £407,000, he says.

As reported on June 28 the group turned in taxable revenue for the March 31 year of £2m against £1.77m and the dividend is increased to 6.537p (5.908p).

Over the next few years the directors expect net revenue to show average annual growth of more than 10 per cent, before the cost of exceptional non-recurring repairs, of which the group will be spending, during the next two years, some £700,000 after tax relief.

Mr. John says that directors also expect to be able to continue to increase dividends by 10 per cent, though they may not be fully covered by earnings in this current year.

Meeting, Dorchester Hotel, W., July 24 at 12.15 pm.

Daily Mail Tst. rises to £2.9m

TAXABLE PROFIT of Daily Mail and General Trust rose from £2.66m to £2.89m in the year to March 31, 1978.

Earnings per 50p share are shown to have risen from 17.2p to 17.9p and the second interim dividend is 8.389p net making a total so far of 12.781p. It is also resolved to pay a final of 1.162p, or such lesser amount as may be permitted under dividend restraint. Last year's total dividend was 11.559p.

Tax for the 12 months took £1,066,258 (£902,651 after adjustment of £128,420) leaving the net balance at £1,823,011 (£1,760,465).

Edinburgh & Dundee Inv.

British Rail Pension Funds have now called an EGM of the remaining holders of preference stock in Edinburgh and Dundee Investment Trust, to consider proposals for a liquidation of the company. Britrailpen took over Edinburgh and Dundee after a fierce defensive battle, at the end of last year. It now owns 100 per cent of the equity, and the bulk of the two preference share issues.

Assuming that the proposals to be put to preference stock holders at the AGM on July 28 meet with their approval, they will receive for their stock the higher of par value and the average market price over the six months prior to winding up, together with accrued dividends. Merchant bankers Hill Samuel, who continue to advise Britrailpen, consider repayment at par value to

BIDS AND DEALS

Glossop raises offer in tough struggle

IN THE face of stiff opposition from the Wettern family and supporters which control a 53 per cent stake, W. and J. Glossop, the public works contractor, has stepped up its offer for the ordinary shares of Wettern Brothers from 95p to 120p a share.

Glossop is not altering the terms of its 85p a share offer for preference stock and the new bid values Wettern at just over £2m—compared with £1.6m under the terms of the previous offer.

This offer has been strongly rejected by the Wettern family and yesterday Mr. F. J. Burroughs, managing director, said that he saw no reason for the Board changing its view.

The battle for control has turned increasingly bitter with hard words being spoken on both sides.

In Glossop's latest offer document, its chairman, Mr. Digby Burnell, accuses the Wettern Board of making "impressive sounding but meaningless statements."

"The Wettern Board has no right to expect loyalty from shareholders if it does not give them the facts on which to make a judgment," says Mr. Burnell.

Before the bid Glossop held a 25 per cent stake in Wettern and Mr. Burnell said that it was significant that shareholders representing 33 per cent of the uncommitted shares—not owned by Glossop or Wettern—had now accepted the bid.

UNIGATE HAS 96% OF CARDING

Unigate has now completed its contract with Worldcourt to acquire the 33.9 per cent stake in the Carding Group which Unigate does not already own.

Completion of this deal leaves Unigate with a 96 per cent stake in Carding and the offer has now gone unconditional. In addition Unigate has acquired the capital of Worldcourt. The total cost of the deals was worth around £4.6m.

NO PROBE

Mr. Roy Hattersley, Secretary of State for Prices and Consumer Protection, has decided not to refer the proposed merger between William Prym Werke UG and Newey Group to the Monopolies and Mergers Commission.

CAPITAL & COUNTY LAUNDRIES

Acceptances of the offer by Johnson Group Cleaners for Capital and County Laundries have been received in respect of 7,126,371 ordinary shares (96.9 per cent), 72,626 5.6 per cent cumulative preference shares (82.6 per cent), and 95,259 4.55 per cent cumulative preference shares (78.5 per cent).

All offers are now unconditional and remain open. Johnson intends to compulsorily acquire the outstanding ordinary shares.

MANSELL THORPE

The offer by Centrovincial Estates for Mansell Thorpe is now unconditional, acceptances having been received in respect of 2,257,864 ordinary shares. Acceptance to the preference offer amount to 57,100.

Panel forbids Mooloya payment

The Takeover Panel announced last night that certain features of the £1m bid by Mooloya Investments for the furniture group, Customagic Manufacturing, constituted "a serious breach" of the Take-over Code.

It ordered that a procurement fee of £38,625, designed to secure the acceptance of certain Customagic shareholders holding 1.4m shares out of an issued total of 5.25m, should not be paid. It also ordered that the bid should go ahead but that Mooloya should pay another 1p per share in cash, raising the cash offer to 21p per share. This would raise Mooloya's outlay by £52,000.

The Full panel said that it would be issuing a complete statement on the matter in due course. Its ruling apparently involves Rule 36 of the Take-over code which says, in effect, that a bidder may not offer special terms or inducements to some shareholders in a company being bid for if these "special favourable conditions" are not extended to all shareholders.

Grindlay Brandts, the advisors to Customagic who sought the Panel Ruling, had not had time last night to discuss the changed terms with the Customagic board, but it was clear that the proposed change in the terms had done litte to remove their opposition to the offer.

In its formal offer document Mooloya Investments claimed that it had secured commitments to accept from shareholders holding 47 per cent of the Customagic equity. It remained unclear last night whether the Panel's order that the procurement fee be waived would make any difference to this strategic holding.

The procurement fee was paid to Gras D'eau, a Jersey Consultancy Company, to secure the transfer of 1.4m shares from certain Customagic shareholders including four members of the Terry family who between them control a 26 per cent stake in the company.

STANDALL ENG.

Mr. Theo. Dengel, who was group financial director of Record Ridgway, has together with associates, acquired a controlling interest in the road breaking tool manufacturers and specialist drop forgers business of Standall Engineering, near Sheffield.

The business has been transferred to a new company Standall Tools and Mr. Dengel has been appointed managing director.

SHARE STAKES

Davies and Metcalfe—Zahid Industries and Investments of Jeddah, Saudi Arabia, has acquired 342,500 shares (11.42 per cent).

I J. Dewhirst—Confederation Life Insurance has acquired a beneficial interest in 50,000 9¾ per cent cumulative preference shares, just under 9 per cent of that class.

Eurotherm International—Mr. J. D. Wilkinson, director, sold 10,000 shares on June 29, and Mr. G. A. Witherington, director, sold 10,000 shares on June 30.

Tilbury Contracting—Mr. T. H. Bensted, director, sold on behalf of his wife and himself, 12,000 shares, leaving a balance in his own name of 750.

Bambers Stores—Mr. D. Wettreich, a substantial shareholder, has purchased a further 70,000 ordinary shares. Mr. H. Grant, director, has purchased a further 10,000.

General Accident Fire and Life Assurance — Kuwait Investment Office has disposed of 90,000 ordinary shares reducing holding to 12.35m (7.5 per cent).

HP Bulmer Holdings—Mr. G. B. Bulmer, director, has disposed of 68,420 shares by the transfer to new trustees. He is now interested in 479,630.

James Neill Holdings—Trustees of James Neill Holdings Retirement Benefits Plan have sold 175,000 ordinary shares reducing holding to 1,208,985 (6.74 per cent).

Laporte Industries (Holdings)—Kuwait Investment Office has sold 25,000 ordinary shares leaving total holding 2.6m (5.62 per cent).

Brent Walker—Mr. G. A. Walker, director, purchased 100,582 ordinary shares bringing holding to 20.73 per cent. Mr. E. D. Simons, director, has purchased 45,000 and Mr. F. E. J. G. Brackenbury, director, has purchased 42,000.

General Consolidated Investment Trust—Pearl Assurance has increased interest by a further 150,000 ordinary shares and now holds 1,407,500 (7.587 per cent).

Thomson Organisation—Following changes in the indirect interests of following directors, their interests are now: Mr. W. M. Brown, 90,225 shares, Mr. J. Evans, 53,658, Sir Denis Hamilton, 84,225, and Mr. G. B Parrack, 75,561.

Wettern Brothers—W. and J. Glossop has purchased 10,000 ordinary shares.

London Shop Property Trust—Mr. A. E. Hemens, a director, has purchased 10,000 Ordinary shares and his wife Mrs. A. E. Hemens, has purchased 7,000 Ordinary shares.

Howden minority terms rejected

PLANS BY the Howden Group to buy up the minority of its quoted South African subsidiary, Howden Group of South Africa (Howden SA) were thwarted yesterday. The scheme of arrangement resolutions sanctioning the offer failed to attract sufficient support.

Howden Group offered 95 cents cash per share for Howden SA, valuing the minority holding at around £700,000. The UK parent, with 74 per cent of the shares, could not vote its shareholding in favour of the scheme and needed, in order to succeed, a three-quarters majority from the outstanding holdings voted.

The meeting was adjourned for three weeks while revision of the terms is contemplated and the shares have again been suspended after a deal at 105 cents.

Howden SA shares were 65 cents before the offer, so that the exit premium rejected by shareholders was over 45 per cent. But the local industrial market has moved ahead strongly, and shareholders at the meeting suggested that a price of around 120 cents would be required.

The local managing director of Hill Samuel, Mr. C. Castleman, whose bank advised Howden SA, said after the meeting that the Howden Group "would not be held to ransom." The terms of the offer were also supported by Coopers and Lybrand.

OCEAN T & T BUYS BANDAG UK

Ocean Transport and Trading has increased its links with Bandag Inc., the U.S. retread tyre major, with the acquisition of Bandag Tyre Company in the UK. Ocean already has the Bandag franchise in Ireland.

The group has declined to reveal the cost of the deal but industry sources suggest around £2m.

Ocean says that acquisition is part of its policy to develop its transport-related interests. This included the acquisition of Transflash—the Bradford-based group with road haulage and container interests in Europe—last year.

The group says that Bandag is the world's largest retread tyre business with franchises in over 90 countries and worldwide sales of more than $180m (£96m.).

Ocean acquired the Bandag franchise in Ireland when it took over William Cory in November 1972.

LONGAI VALLEY

Walter Duncan and Goodricke's offer for Longai Valley Tea has been extended until July 19. Including shares in the acceptances, Walter Duncan now owns 65,040 (73.91 per cent) ordinary shares, 26,943 (92.91 per cent) "A" preference shares, and 10,240 (93.00 per cent) "B" preference shares.

Prior to the offers, Walter Duncan and persons acting in concert owned 50.9 per cent of the ordinary shares.

MINING NEWS

Gold Fields opens up two new mines

BY PAUL CHEESERIGHT

CONSOLIDATED GOLD FIELDS could have two new gold mines producing revenue in North America by the middle of next year. Production starts at the first, in Val d'Or, Quebec, this month and may start at the second, in Ortiz, New Mexico, by May, 1979.

The development of the mines is part of a North American strategy adopted by the group three or four years ago when it started looking for properties which were not particularly appealing to the U.S. majors. The exploration thrust was directed at precious metals and energy minerals in deposits which permitted quick development.

This strategy has led the group into the development of a low sulphur coal property in Tennessee and towards the discovery of a silver deposit in Texas which Mr. David Lloyd-Jacob, the chairman of Gold Fields Mining Corporation, yesterday said "was looking half way like a mine."

Gold Fields Mining Corporation is the group's North American mining unit, which shares a holding company with Azcon, the steel concern, called Gold Fields American Corporation. But GFMC is funded by the London parent.

The Val d'Or property is based on the old O'Brien mine which closed about 20 years ago. A mill with a capacity of 400-500 tons of ore a day has been installed and profits are expected this year although their contribution to group revenue will not be significant.

Mr. Lloyd-Jacob said that the mine could produce a positive cash flow with a bullion price of $130 an ounce. He also indicated the possibility of later expansion at the operation, explaining that GFMC held considerable land in the area.

This land includes about 12 miles of the Cadillac Break, a fault line along which gold is thought to occur. GFMC drilling has encountered mineralisation five miles away from O'Brien.

The Ortiz deposit is on the top of a hill, thus lending itself to opencast mining, some 30 miles from Santa Fe. Reserves are about 7m tons and there could be a mine life of eight years.

At present testing of a heap leaching recovery process is under way and if this is successful output could start next year after the capital expenditure of $5m.

Over the next two years GFMC capital expenditure is likely to reach $50m (£26.6m), Mr. Lloyd-Jacob said, of which $35m will be spent on the Tennessee coal property where output will be built up after sales contracts have been settled.

GFMC's exploration budget is running at an average of $2m a year. In recent months the search for uranium in the western U.S. has been abandoned and concentrated instead around the Texan silver property. Work has stopped at a Missouri base metals prospect, where GFMC holds 49 per cent of a joint venture with Getty owning the remainder.

Not enough lead and zinc has been found in Missouri to justify a mine, but the exploration area is near a number of active operations and a sale could be possible when the metals market looks up.

Cons African goes into liquidation

THE SMALL South African base metal miner, Consolidated African Mines, which pioneered the export of iron ore to Japan and whose founder, Mr. Peter Wilhelmi, died last year, has made application to Court for provisional liquidation, reports Richard Rolfe from Johannesburg.

Its last balance sheet, to June 30, 1977, showed long-term debt of R3.5m (£2.14m) and net current liabilities, principally bank borrowings from Standard Bank, the principal creditor, of R3.7m. Since then news of the group's position has been slow to emerge, as the usual quarterly statements have not been published since December, but weak iron ore markets have complicated its cash flow problems.

Cons African sold its fluorspar mine last year and put its asbestos operations on to a care-and-maintenance basis. This left its two iron ore mines, near Postmasberg in the north west Cape, which are now exporting at an annual rate put at 500,000-700,000 tons.

The main shareholder is Union Corporation, with just over 20 per cent of the shares, acquired during the early 1970s from Selection Trust. Both groups were attracted by Cons African's large undercharged iron ore deposits centred on the Gamagara area. The directors of Cons African hold a further 10 per cent.

Liquidation of mining companies is comparatively rare in South Africa and only two others have gone under in recent years. These were Government Areas, the old Rand gold mine which seemed capable of revival but proved not to be, and the Trans-Terra group, headed by a former Minister of Economic Affairs, Mr. Jan Haak. However, neither was as substantial an operation as Cons African, which had gross assets of R8m and substantial unexploited mineral rights.

GRANGES SIGNS SAUDI DEAL

Granges, the Swedish minerals group, has signed a contract to look for minerals in an area 250 km north east of Medina in Saudi Arabia, a Government announcement said.

The contract was signed with Petromin, the Saudi Government agency, but the announcement gave no financial details. The prospecting will be directed towards finding copper and precious metals in the Al Naqra and Al Safra areas.

Petromin reserves the right to enter into a joint venture with Granges.

Among other groups prospecting for minerals in Saudi Arabia are Consolidated Gold Fields and Bureau des Recherches Geologiques et Minieres, the French state agency.

MINING BRIEF

KILLINGHALL TIN—Output for June 19 tonnes (May 42½ tonnes).

INTERNATIONAL FINANCIAL AND COMPANY NEWS

AMERICAN NEWS

Toronto businessmen win control of Argus

By Robert Gibbens

MONTREAL, July 6.

THE TORONTO businessman Mr. Conrad Black and his associates have now consolidated their indirect control of the major holding company Argus Corporation, which in turn owns the largest single holdings in several leading Canadian companies.

Mr. Black has confirmed that his group now holds approximately almost 70 per cent of the stock of the private holding company Ravelston Corporation, against 22½ per cent previously.

Ravelston in turn controls 62 per cent of the voting stock of Argus Corporation.

Mistrial declared in IBM $300m anti-trust case

BY DAVID LASCELLES

NEW YORK, July 6.

THE judge in the marathon IBM-Memorex anti-trust case has declared a mistrial, after the jury told the San Francisco Federal Court that all attempts to reach a verdict had been futile.

The judge had earlier given the two companies the choice of accepting a majority verdict, or the verdict of the first six jurors on the list. Memorex said that either option was acceptable, but IBM rejected them both.

The declaration of a mistrial, however, still left the two companies arguing over what should happen next. Memorex said that it wanted a retrial, but IBM announced that it would press the motion for a directed verdict which it filed several weeks ago. It was not immediately clear what the outcome would be.

The case dates back to 1973, when Memorex, a California-based manufacturer of computer peripheral equipment, charged IBM with monopolising the computer industry, and claimed damages of some $300m, which would automatically be tripled under anti-trust legislation.

Last Wednesday, the jury—which retired to consider its verdict on June 8—announced that it had reached deadlock over both liability and damages, but the judge ordered them back, saying thatt heir verdict must be unanimous. Then on Monday, IBM submitted a motion for a mistrial on the grounds that the case had been so exhausting that the jury was incapable of reaching a reasoned verdict.

That motion was carried today after the jury conceded deadlock for the second time. The 11 members said that they had split 9 to 2 in favour of Memorex, but could make no further progress.

First half increase from Bradesco

By Diana Smith

RIO DE JANERIO, July 6.

BRADESCO (Brazilian Discount Bank), Brazil's number one ranked non-State-owned commercial bank and financial conglomerate, had a Cruzeiros 1.26bn ($70m) net profit for the first half of 1978.

Figures for the previous year are not directly comparable owing to a change in the basis of accounting, but independent observers described the result as a spectacular increase.

The company's total net assets at June 30 were $502m. Interests include an investment bank, building societies, hotels, stockbrokers, property development companies, and shares in petrochemical, data processing and agricultural or livestock enterprises.

Bradesco's commercial bank had a total of $1.98bn in customers' current or deposit accounts at the end of June, and had effected a total of $1.9bn in various credit operations.

There were two capital increases in the first half of this year: first, in February—from Cr2.5bn to Cr3.13bn ($174.5m), and then in May to Cr3.6bn ($202.5m) through bonus share issues.

Time buying Inland stock

NEW YORK, July 6.

TIME INCORPORATED offered to purchase up to 2m shares or about 25 per cent of the outstanding common stock of Inland Container Corporation at $35 per share net.

The offer is conditioned upon the tender of at least 1.6m shares unless waived by Time Incorporated.

Time said the offer will expire on July 18 unless extended. No soliciting dealers fees are payable. Reuter

Leader named for Corco reorganisation

NEW YORK, July 6.

THE BOARD of Commonwealth Oil Refining Co. (Corco) as approved the selection of Mr. C. Howard Hardesty Jr., the former vice-president of Continental Oil Co., to head a reorganisation management team for the company.

Corco, which on March 2 filed for protection from its creditors under Charter 11 of the Federal Bankruptcy Act, said that the bankruptcy court in San Antonio, Texas, must approve the appointment before it becomes final. The court will hear the proposal on July 10.

With court approval, Mr. Hardesty will head a new corporation, to be based in Texas, called Commonwealth Reorganization Co. This company will provide management assistance and other services to Corco in two phases. In the first phase, which is not expected to last longer than five months, the new company will analyse Corco's operations and the nature and extent of its problems. It will then submit a report on whether it believes Corco can be made a viable economic entity. If this is positive, a "corrective action" phase would begin to help Corco prepare a plan of arrangement for presentation to its creditors and the court as soon as possible.

Corco also announced that negotiations were continuing on separate merger proposals from Charter Co., from a group of Arab investors led by Mr. Roger Tamraz, and from Coastal States Gas Corporation. AP-DJ

MAREMONT CORPORATION

All set for a return to expansion

BY JOHN WICKS, RECENTLY IN CHICAGO

JUST AT the start of its second century of operations, the former stage coach builder, Maremont Corporation, is in the process of entering a new and expansive phase, having sloughed off a large part of its former activities.

The Chicago company has in recent years concentrated its efforts on production of shock absorbers and exhaust systems, with smaller but interesting business in the distribution of foreign car parts, in wholesale ex-warehouse sales and in the making of ordnance equipment. With annual sales growth potential of 10 to 12 per cent in each sector, the group is in good shape to meet the targets set by company president and chief executive officer Mr. Richard B. Black of 4 to 5 per cent on turnover and 15 to 17 per cent on equity.

The company's first major expansion programme, in the years from 1959 to 1967, had put rather too many flowers in the garden. While it brought in the very valuable Gabriel shock-absorber concern in 1962, as well as strengthening the group's position as a car parts distributor and introducing it to the ordnance business, it also produced a number of assets—such as warehousing, textile machinery and the manufacture of camshafts and filters—since pruned away.

In "Phase two," lasting from 1967 until 1977, the company carried out its large-scale divestment programme. The thinning-out process was helped along by a Federal Trade Commission instruction in 1971 that Maremont's chain of 153 jobbing stores and 80 per cent of its warehouses should be disposed of. Divestments concluded with the sale in June last year to the British group Turner and Newall of 80 per cent of its friction, brake and heavy-duty parts business for $8m cash.

At the same time, however, the second phase saw aggressive promotion of the car parts business, with sales rising from $50m to $300m over the ten-year period without acquisitions. Maremont now leads the US shock-absorber market, with sales equal to those of all other manufacturers taken together, and the same position at the head of the national market applies to its Canadian affiliate and companies in which it holds a stake in other countries. The American market share for exhausts has doubled over the past decade and the firm continues to strengthen its position as second biggest supplier. Business has profited not least from the sharp growth in private label orders from major clients; this house brand business now accounting for about half of Maremont's total shock absorber and exhaust system turnover.

Traditional sectors

The third stage of the Chicago group's latter-day development foresees further growth in traditional sectors of activity and elsewhere. In the shock absorber and exhaust field, Maremont expects to increase its market share—albeit more gradually than in the past—as national replacement demand rises by an estimated overall 9-10 per cent and 6-8 per cent, respectively, annually up until 1981.

The company is also increasing its U.S. new-car supplies (to the VW "Rabbit" and some Ford models) and foreign-based production activities, as well as remaining open to a future joint-venture arrangement for the replacement of new vehicles market with Europe, possibly with Germany or the U.K.

Outside the automotive sector, Ordnance business is expected to generate sales of some $100m over a five-year period. The U.S. Army, which had awarded a former order for M-60 units to Belgium, contracted with Maremont last year for the supply of .50-calibre machine guns. These will go into production in the first quarter of next year and more than make up for the conclusion of a $5m-a-year M-60 order.

At the same time, Black is very aware of the possibility of diversification into new sectors. A first move of this kind since the divestment programme was to have been the take-over of another Chicago-based company, Pemcor, which makes stereo and Hi-fi speakers and is a wholesale distributor of electrical supplies and equipment. Since Pemcor specialises in car loudspeakers, the FTC had to give special permission for the initial Maremont purchase of 11¼ per cent of Pemcor's capital, the 1971 consent decree subjecting Maremont participations in the "car parts" field to commission approval for a period of ten years.

The FTC gave the go-ahead in April, on which Maremont bought the 225,866 shares involved at $13 each and began to consider further stock purchases. But the Pemcor share price then rose rapidly—so rapidly that in June, Maremont terminated discussions with the company and three weeks later the Esmark group agreed in principle on the merger of Pemcor and one of its subsidiaries by a share swap on a price basis of no less than $32. Black has borne the loss of a possible new division philosophically—as well he might, since the stock appreciation will earn his company something like $4.4m before tax should Maremont, as would seem probable, accept an Esmark bid for its Pemcor stake.

Other options

The non-acquisition of Pemcor is certainly very far from being the end of the world. Maremont has been and still is reviewing other options. It looks as though more than one acquisition will be made in the next 18 months, one probably before the end of ths year. Speaking in Cleveland recently, Maremont director Mr. Byron O. Pond said that a policy of external growth "would be pursued rigorously."

Exactly what sectors further the company plans to enter is not yet clear, though these could include industrial products, transportation or other fields in which the firm's management—none of whom originates from the car parts business—have specific skills. In any future acquisitions, candidate firms for a takeover would probably be in the $20-$150m sales bracket, with some special position on the corresponding market. Takeovers would not necessarily be in the U.S., though this is seen as the most logical place to invest. Black "could be enticed to spend money" in countries like Germany, the UK or Switzerland, for example.

Optimism at CPC Europe

BRUSSELS, July 6.

CPC EUROPE, the food-based group, in its first review just published, commented that both the industrial and consumer businesses of CPC Europe contributed to 1977's improved results. Industrial business earnings recovered from the previous year's unsatisfactory level through higher utilisation of capacity, better recovery of increased raw material costs and other favourable short-term factors. Consumer business continued its strong record of steady sales and earnings increases. Agencies.

MGM earnings rise

Metro-Goldwyn-Mayer, the films to hotels concern, lifted third quarter—to May 31—earnings from 50 cents to 90 cents a share, AP-DJ reports. Net profits came to $13.2m against $7.4m from revenues of $106.9m compared with $74.3m. Profits for the nine months were $30.9m to $2.12 a share against $21.2m or $1.42 a share. Revenue came to $274m compared with $221.5m. The quarterly dividend is 27.5 cents.

Tyco Laboratories

Tyco Laboratories, which has recently been involved in the bid battle for Cutler-Hammer, made fourth quarter—to May 31—net profits of $2.5m against $1.8m, AP-DJ reports. Sales were slightly lower at $44.1m compared with $44.4m.

Campbell Taggart

Higher second-quarter profits are announced by Campbell Taggart, the wholesale baking group, AP-DJ reports from Dallas. Net earnings were $7.7m, or 70 cents a share, against $6.7m or 62 cents a share. Sales were $205.4m against $178.8m.

Fleetwood Enterprises

Fleetwood Enterprises, the mobile homes group, had earnings of $1.56 a share for the year to April 30 against $1.33 previously, AP-DJ reports. Net profits rose from $15.1m to $17.7 on sales of $680.4m

W. T. Grant

A U.S. bankruptcy judge, John J. Galgay, has ruled that about 32,000 former employees of the bankrupt W. T. Grant Company should receive full severance pay amounting to some $14m, AP-DJ reports from New York.

EUROBONDS

Yen issues find problems

By Our Euromarkets Editor

The Eurobond market continues relatively quiet. The two main excitements are the shortage of City of Kobe D-Mark bonds and the problems of the yen market now that currency considerations are prompting some investors to try to sell.

The European Coal and Steel Community has launched a DM70m twelve year placement via Deutsche Bank. The bonds have a coupon of 6 per cent and an indicated issue price of 99¼.

The City of Kobe bonds closed yesterday at 100¾-101¼ after being priced earlier in the week at 100¼, itself regarded as a surprisingly high level by the market. The current price puts the yield well out of line with the market generally. Part of the explanation is that demand opened slowly at the beginning of the offering period but picked up substantially later. In the event dealers are unable now to buy bonds at prices considerably higher than they had sold them in advance of the allotments.

Meanwhile there are mounting complaints that yen bonds cannot be sold. The reason for the development of selling pressure is clear enough: as Nomura Securities put it in its last weekly bulletin: "As the yen has neared 200 to the U.S. dollar, the scope for an investment in yen for currency appreciation has dwindled."

Attempts to sell are beset by technical problems (concerning, for example, delivery) in addition, dealers say, to the lack of a two-way market. One dealer said yesterday that spreads between buying and selling prices quoted in the market are running as wide as five points in some cases—if one could sell at all.

Printing dispute depresses sales at Axel Springer

BY ADRIAN DICKS

BONN, July 6.

WEST GERMANY'S biggest press and publishing group, Axel Springer-Verlag, suffered direct losses of over DM 40m (around $20m) from the bitter dispute in the printing industry this spring. Herr Peter Tamm, general manager, said in a newsagency interview today.

As a result, he warned, Springer could not now expect to do more than maintain its 1977 sales performance during this year. Last year Springer raised its profits from DM 37.3m to DM 45.5m on a sales volume that rose from DM 1.43bn to a new level of DM 1.64bn.

Herr Tamm confirmed, as the group's interim report had already suggested, that 1977 had been a "high point" for the industry, in contrast to the experience of most of West German business. Part of the lag which publishers had suffered in 1975-76 had been caught up.

Advertising sales were up by 18 per cent to DM 773m — about 47 per cent of Springer's total turnover. Sales of Bild-Zeitung, which now claims the world's highest daily sale of any newspaper, rose by about 300,000 on average to 4.78m. Bild am Sonntag, the sister-newspaper published on Sundays, gained 160,000 copies to reach an average circulation of 2.52m.

Herr Tamm also said that Die Welt, the "flagship" paper of the Springer group and for some years its chronic loss-maker, was now in a more "stable" financial position.

For the future, Springer sees the best prospects for growth in the field of specialised magazines, with a particular emphasis on entertainment and leisure. One new title designed with this in mind is to be launched in S[...]tember, in the shape of a ma[...]zine named "Journal," tho[...] Springer has not yet gi[...] further details.

Herr Tamm said that inv[...]ment would remain high [...] would continue to be direc[...] towards the modernisation [...] capacity. He also warned [...] the industry could not afford [...] agree to the 35 hour work [...] week now being pressed by [...] printers' union, IG-Druck [...] Papier, in line with unions [...] other industries which are [...]ting this forward as a par[...] solution to unemployment.

Herr Tamm warned that s[...] a step would be equivalent to [...] per cent wage increase. Sho[...] the union try to force it on [...] publishers by means of furt[...] strike action, printers' jobs wo[...] be put in danger.

La Seda losses exceed $5m.

BY DAVID GARDNER

BARCELONA, July 6

LA SEDA DE BARCELONA, the leading fibre producer in Spain's most important textile region, finished 1977 with losses of Pta 410m ($5.2m) against a marginal profit in 1976 of Pta 65.5m. The money value of La Seda's sales in 1977 increased by 11.7 per cent to Pta 11.5bn, while the rise in volume sold was 10 per cent.

La Seda's position is by no means unique in the textile industry. The sector's principle difficulty is its inability to compensate for depressed demands and thin order books at home—where consumption fell 11 per cent last year—by a concerted export drive.

While the industry has shown some signs of picking up in the first five months of this year, exporting goods worth nearly $70m more than it imported, this is unlikely to continue in the present climate of protectionism in its principle markets, the EEC and the U.S. In addition, the industry's export performance benefited from last years devaluation of the Peseta, which also meant that companies were paying 14 per cent more in real terms for raw material imports.

La Seda made cuts in its operating costs of Pta 340m, reducing its 4,178 workforce by 170, but still lost Pta 237m on the exchange rate movement.

The generally small- to medium-sized and family-owned companies that make up this atomised industry have traditionally generated around two-thirds of their finance internally, an untenable position in an economy using monetarist means to control inflation.

On the one hand, des[...] heavy investment during [...] past 20 years the industry is [...] labour-intensive and among [...] first to feel the repercussions [...] inflation on wage increases; [...] the other, the fall in consu[...]tion, aggravated by the h[...] cost of and restrictions on cre[...] expose a majority of firms in [...] sector to decapitalisation. T[...] year has seen an average [...] three failures a week in C[...]lonia's textile industry.

La Seda is big and so[...] enough to have avoided this f[...] meeting its commitments [...] finishing the year with a c[...] flow of Pta 469m. The industr[...] now subject to Governm[...] directed nationalisation plans [...] a bid to reduce capacity, and [...] away with underproductive [...] archaic plant.

SNCF plans U.S. issue

BY MARY CAMPBELL

THE FRENCH RAILWAYS (SNCF) is planning for the first time to issue commercial paper in the U.S.

A $250m line of credit to back up the issues is currently being arranged on the Euromarket by Credit Lyonnais. The state-guaranteed facility offers a margin over inter-bank rates of a ½ per cent for the first five years of the eight-year maturity and ⅝ for the last three years. There is the usual commitment fee of ⅜ per cent.

French banking sources said yesterday that a reported $50m proposed loan for Aerospatiale is by no means imminent—although this is under discussion, negotiations are still apparently in the early stages.

The Chilean electricity authority Empresa Nacional de Electricidad (Endesa) is raising $90m for a final maturity of eight years from a group headed by Citicorp International. There are three years grace before repayments start.

The margin payable over interbank rates will on average be 1.7 per cent, hardly different from Chile's last comparable loan some months back. There is a commitment fee of half a point.

The precise details of the margin are complicated: it varies not on a simple time basis, but according to when individual tranches mature. Tranches to be repaid sooner will carry a lower margin than those to be repaid later, with the result that several different margins will be payable concurrently.

More precisely, of the eleven repayments due semi-annually during the past five years of the life of the loan, the amounts due for repayment on the first two maturity dates will carry a margin of 1½ per cent, those due for repayment on the third, fourth and fifth maturity dates will carry a margin of 1⅝ per cent, while the remainder will carry a margin of 1¾ per cent.

The funds are to be used to finance the company's 1978/79 investment programme. There is no state guarantee.

Citicorp International Group has also been awarded a mandate to raise $100m for Banco Central of Uruguay to finance a hydro-electric plant. Terms are not yet known.

The Spanish utility company, Fuerzas Hidroelectricas del Segre, has arranged a $10m loan to finance its share of the Spanish nuclear power stations Asco II and Vandellos II. The six-year unsecured loan offers a margin over inter-bank rates of 1⅜ per cent. Lead manager is Amex Bank.

Mixed trend at Liebherr

By Guy Hawtin

FRANKFURT, July 6

LIEBHERR, the West Germ[an] plant and machinery manuf[ac]turer, has had a mixed first ha[lf.] Its report out to-day states th[at] sales growth has been confined [to] its three construction machine [...] subsidiaries.

The group has reaped conside[r]able benefit from this yea[r's] upturn in construction activ[ity] and sales from the sector ha[ve] risen by 13.3 per cent to DM23[...] In the aero-technology, househ[old] equipment, gear technology a[nd] crane manufacturing secto[rs] however, turnover has fallen [by] an overall 7.2 per cent [to] DM296m.

The group's consolidated tu[rn]over for the first six months [of] 1978 rose by 13.7 per cent co[m]pared with the same period [of] last year to DM737m ($359.7[m]). For this, the group owes mu[ch] to its 16 foreign subsidiaries co[n]trolled by its Swiss holding co[m]pany, Schweizer Holding Li[eb]herr International. These p[ro]duced a hefty 38 per cent grow[th] rate during the first half, whi[ch] brought their combined turnov[er] up to DM359m.

The eight German subsidiar[ies] on the other hand, reported consolidated turnover decline [of] 2.6 per cent to DM378m.

Improvement in BHF results

FRANKFURT, July 6.

BERLINER HANDELS und Frankfurter Bank (BHF) recorded improved results in the first five months of this year compared with the same 1977 period.

The bank gave no overall figures, but said in its interim report that the net surplus on interest earnings in the period to May 31 rose by around 10 per cent to DM544m.

This compares with an estimated 9 per cent rise for the first four months announced at the bank's annual meeting in May in Berlin.

Last year, BHF earned a group net profit of DM36.83m, down from DM39.2m the previous year.

The interim report said the bank's business volume at end-May this year stood at DM9.2bn, up from DM8.86bn at the end of December.

The parent company's balance-sheet total was DM7.23bn compared with DM7.02bn at end-December.

Credit volume picked up in April after being virtually unchanged in the first quarter, thet bank said.

Business was dampened in the early months of 1978 because of stagnation in the German economy.

However, BHF said, positive factors have now spurred growth, especially in such sectors as public expenditures, private consumption and the construction industry. Agencies

Swiss purchase

SWISS abrasives manufacturer Sia Schweizer Schmirgel-und Shleif-Industrie AG, is to acquire the Alliance, Ohio, abrasives works of Armak Company for $11m, writes John Wicks from Zurich. The plant, which also turns out cap-liners, belongs to the U.S. Akzona Group, itself a subsidiary of the Dutch concern Akzo NV.

The Alliance plant, recently re-named Sancap Abrasives Incorporated and with what is claimed to be the broadest production programme in the world in this sector, will co-operate with Tyrolit Company, an existing U.S. affiliate of Sia. Tyrolit is intended to hold a minority stake in Sancap.

OSTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT

U.S.$40,000,000 Guaranteed Floating Rate Notes 1983

Notice is hereby given pursuant to Condition 5 of the Terms and Conditions of the above-mentioned Notes that the Rate of Interest (as therein defined) for the Interest Period (as therein defined) from 10th July, 1978 to 10th January, 1979 is at the annual rate of 9⅜ per cent. The U.S. Dollar amount to which the holders of Coupon No. 3 will be entitled on duly presenting the same for payment will be U.S.$47.92 subject to appropriate adjustment thereto (or the making of other appropriate arrangements of whatever nature) which the Fiscal Agent may make, without further notice in the event of an extension or shortening of the above-mentioned Interest Period.

EUROPEAN BANKING COMPANY LIMITED (Agent Bank)

7th July, 1978.

Boussac journals change hands for almost $18m

BY DAVID WHITE

PARIS, July 6.

THE MAN who launched the Carrefour supermarket business 19 years ago M. Marcel Fournier, is to take over the running of L'Aurore newspaper group, bought by a group of business interests from textile magnate M. Marcel Boussac.

The newspaper L'Aurore, which ranks fifth in readership among France's national dailies, said that M. Fournier was resigning from Carrefour in order to take up the chairmanship of a new Press company, Societe Franpresse, which will be responsible for L'Aurore and its sister horse-racing weekly Paris-Turf.

The group, together with printing works and an office building in the Rue de Richelieu, was reported to have been sold for FFr 80m (almost $18m), net of bank claims. Shareholders, apart from M. Fournier, include Ste Continentale de Banque and the Felix Potin food store group.

Sources close to the long-troubled textile empire believe that a final attempt to restructure the group may still be on the cards. Over 11,000 jobs are at stake including 4,500 workers in the Vosges region for whom there are no obvious alternative openings.

M. Boussac's Christian Dior fashion business should bring in another FFr 500m, the sources believe, to which can be added other personal assets such as his champion race horse Acamas, valued at FFr 20m or more, and which the 89-year-old businessman has said he is prepared to sell.

The main problem is time, since every month that Boussac continues to stave off liquidation takes it an estimated FFr 15m further into the red.

The chairmanship was to have gone to M. Pierre-Christian Taittinger, a member of the Taittinger champagne family and a Senator for President Giscard d'Estain's Republican Party, who asked to be allowed to defer his decision.

L'Aurore, with a print-run of about 300,000, has been suffering increasing losses in the past two years, largely offset by the more profitable Paris-Turf.

The new ownership structure is widely seen as the result of efforts by the Presidency to establish a Giscard-line newspaper following the failure of the pro-Government J'Informe to get off the ground last year. Approaches by a third Marcel, M. Marcel Dassault, the aircraft manufacturer and Gaullist politician, for a take-over of L'Aurore were unsuccessful.

A spokesman for L'Aurore said the new management would not interfere with the paper's editorial line, which has a long right-wing pedigree. But it is clear that stringent economies will have to be made, especially in the printing works, if the newspaper is to get back on its feet. In the face of the militant Paris print unions, this will not be an easy task.

Proceeds from the sale fill about one-tenth of the estimated FFr 800m financial gap which the Boussac group needs to cover in order to avert bankruptcy. This includes FFr 120m owed to the government, plus bank and personal loans.

New company to analyse banks

BY MARY CAMPBELL

A COMPANY to analyse banks as credit risks is currently being set up in London.

Its main customers are expected to be banks and other depositors in the international money markets. Deposits with banks account for well over half the total international lending business, and amount to several hundred billion dollars.

The new company, provisionally called IBCA Banking Analysis, is planning to provide analysis of a wide range of banks at a fraction of the amount it would cost any individual bank. It is being launched by Fox-Pitt, Kelton, with 75 per cent, and First International Bancshares with 25 per cent. The former is the London-based international arm of two U.S. brokers, one of which, Keefe Bruyette and Woods, specialises in analysis of banks in the United States. First International Bancshares is the London-based merchant banking arm of the Dallas bank of the same name.

The idea is ultimately to build up details of all banks taking deposits via the international inter-bank markets. So far, files have been prepared on about 150 banks in six countries outside the U.S. (banks in the U.S. are covered by the parent company, Keefe Bruyette and Woods). The reports are in three parts: the country's banking system from the point of view of depositor safety; the accounting systems employed by banks in each country, including explanations of the significance of tax considerations for example to accounting procedures; and, finally, a report on the individual bank.

So far 35-40 institutions have subscribed to the service either in whole or in part. It is understood that subscribers include some official financial institutions, top multinational companies (who have so much floating cash to place day-by-day that they are akin to banks in their importance as depositors on the money markets) and some of the largest U.S. banks.

These are precisely the institutions which might have been expected to need the service least, in that they already have more sophisticated investigation and analysis teams than IBCA itself. One possible explanation is that these institutions are the ones most aware of the need for the service, and subscribe to it as just another addition to their existing input.

The reports cost a basic $400-$800 per country plus $30-40 per bank within each country.

The countries available so far are the UK, France, Germany, the Netherlands, Italy and Canada. The next target area is Latin America.

Despite the well-publicised losses made by Hill Samuel and others over the collapse of Bank I. D. Herstatt in 1974, awareness of the need for such a service is a major hurdle IBCA has faced. The money markets have been going for so many years with losses amounting to the minutest fraction of deposits that many banks tend to discount the risk.

Fox-Pitt, Kelton said yesterday that another Herstatt would do no end of good for sales.

As far as potential customers outside the U.S. are concerned, a major problem is the degree of reliance on the old boy network. This is one aspect of a long-standing, if slowly crumbling, difference of approach between the U.S. and Europe. In the U.S., great faith has traditionally ben placed on analysis of "the numbers" (balance-sheet, earnings records, etc) while in Europe—not least because disclosure rules are thin on the ground and even the most basic "numbers" scarce—it has traditionally been name and contacts which count.

"We will never replace the old boy network," Mr. Robin Monro-Davies, managing director of IBCA says.

La Redoute lifts dividend

BY JOHN WICKS

ZURICH, July 6.

THE FRENCH mail-order house, La Redoute of Roubaix, will recommend an increase in dividend at the annual meeting for the year ended February 28 from FFr 18 to FFr 20 per share after a 6.7 per cent improvement in parent company net profits to FFr 44.3m ($10m) from FFr 41.6m.

After the AGM, La Redoute is to hold an extra-ordinary general meeting at which shareholders will be asked to agree to the creation of approved capital of FFr 100m, a corresponding issue of convertible bonds of up to FFr 100m and the introduction of a new programme of share subscription and purchase options.

Consolidated group turnover of La Redoute, including subsidiaries in the retail and mail order business in France and in the Belgian and Italian mail order sector, rose by 11.8 per cent in 1977/78 to FFr 3.29bn, despite the exclusion from group totals of Ediclub-Rombaldi, sold to the Editions Rombaldi Company in mid-1977.

Consolidated net profits fell by 6.3 per cent to FFr 40.76m from FFr 43.52m after a rise in the loss of the Italian sales company Vestro from L263m to L1.7bn.

La Redoute said it had made a satisfactory start to the current business year 1978/79. In the first three months, sales were up by 13 per cent to FFr 782m. There has also been a marked improvement in Vestro's business, which was 23 per cent higher than a year before.

JAPANESE COMPANIES

Citicorp to set up consumer loan unit

By Robert Wood

TOKYO, July 6.

CITICORP, the parent company of New York's Citibank, will become the fourth American bank holding company to establish a wholly-owned consumer finance subsidiary in Japan, its officials said today.

It will be Citicorp's second venture into the Japanese consumer credit market. It already owns half of First National Nippon Shimpan (FNNS), a joint venture with Japan's largest credit sales finance company, Nippon Shimpan. FNNS lends mainly in Tokyo, and has assets of Y90bn ($450m).

The new wholly-owned subsidiary, to be called Citicorp Credit, will be based in Nagoya, an industrial city some 300 kilometres west of Tokyo. Its initial capital will be $300m.

Until the arrival of four American banks and Japan Aveo Finance, a subsidiary of a major independent U.S. consumer finance company, Japan's consumer loan market was dominated by small money-lenders charging as much as 109.5 per cent per year (9 per cent per month). All Japanese Government agencies were reluctant to take on the difficult task of regulating them, and the Finance Ministry has welcomed the arrival of American competitors, who have already begun to push down consumer loan interest rates.

In addition to small consumer loans, Citibank's new company hopes eventually to make housing loans. It will be a subsidiary of Citibank Custom Credit, the group's main consumer finance company. It is expected to begin operations within a few months.

Japanese borrowing falls

A survey by the financial daily Nihon Keizai showed long-term borrowings of 821 Japanese companies fell to Y24,860bn ($123bn) as at March 31, from Y25,100bn a year before, Reuter reports from Tokyo. The fall reflects efforts to restrain capital outlays for plant and equipment, curb loans and investments, and switch from long-term to short-term borrowings.

The percentage of long-term borrowings in companies total liabilities and net worth declined to 19.2 per cent at the end of fiscal 1977, from 19.9 per cent a year before, the survey said. Companies short-term borrowings increased to Y22,720bn at the end of March from Y21,590bn a year previously.

Sanyo Electric

SANYO ELECTRIC Company, the major Japanese manufacturer of electric appliances, increased its profits by 4.2 per cent in the first half of its financial year, to Y5.61bn ($27.8m), from Y5.38bn in the same period of the previous year, Reuter reports from Tokyo.

The improvement in profits took place in spite of a decrease in sales, for the six months to May 31, of 2.8 per cent to Y257.62bn ($1.28bn), from Y265.07bn.

The interim dividend is unchanged at Y3.

Upturn carries Hitachi to new peaks

BY YOKO SHIBATA

TOKYO, July 6.

THE RECOVERY IN the performance of Hitachi and its 40 consolidated subsidiaries carried the group to new highs in the year to March 31. Consolidated net profits rose 11 per cent to a record Y.77.85bn ($354m). Net profits in the previous year, at Y.70.17bn, almost recovered the peak in fiscal 1973 of Y.72.1bn (excluding the special sales profits on real estate).

Sales last year were Y.2.38 trillion (million million), or Y.15.5bn up 7 per cent.

According to Hitachi, the year under review was marked by stagnant plant and equipment investment in the private sector, and low consumer spending, while there were increasing difficulties in exports resulting from the upsurge of the yen in the foreign exchange market and import restrictions imposed in various markets.

However, the company's consolidated performance was strongly helped by its subsidiaries — such as Hitachi Maxell, Hitachi Credit, Hitachi Metals, Hitachi Cable and Hitachi Plant Engineering and Construction, out of 11 listed subsidaries. As a result, Hitachi's profit gains on a consolidated basis were much larger than the unconsolidated.

The company shifted its main stress towards high added value lines such as computers and electronic components, which provided a major contribution to profit gains. In the sector benefitting from heavy investment by electric power companies and expanded Government investment in public works. The electric utility apparatus and electrical equipment divisions, the communication and electric equipment and measuring instrument division also fared well.

Despite the impact of the higher yen, exports went up by 21 per cent, to account for 20 per cent of the total turnover, helped by favourable sales of electric utility apparatus and in the electric equipment division. In exports, consumer durables and heavy electric equipment generated an exchange loss of Y13bn. Of this, half was absorbed by rationalisation of material costs, one quarter by raising export prices, and another quarter by reductions in the import costs of raw materials. The company's sales promotion of home electric appliances and computers increased sales costs and administration expenses by 14 per cent.

Hitachi's consolidated structure is often described as a "convoy" system. If one consolidated subsidiary suffers setbacks in business performance, the Hitachi group as a whole aims to rescue the vessel falling behind, even if it means slowing down the group's speed. Such efforts were featured by the Hitachi group's successful implementation of cost-control measures.

Because of the sharp appreciation in the yen, the company offered here no firm forecast of profit performance for the current fiscal year. By increasing the proportion of sales of high-profit products, Hitachi's consolidated sales, it was said, were likely to reach the Y2.5 trillion level—up 5.2 per cent—and net profits to grow to Y.80bn plus. As a result, Hitachi's per share profits are likely to top its peak in 1973 at Y31.66.

● **Our financial staff writes:** A more optimistic view of the group's prospects in the current year was given in London by Mr. Kazuo Kumagi, secretary of Hitachi, on the basis of a yen exchange rate around 200 to the dollar. Sales and net income, he said, were expected to rise by 7 per cent, and Hitachi was confident of maintaining its profit margins.

Huletts cuts its payout again

BY RICHARD ROLFE

JOHANNESBURG, July 6.

HULETTS CORPORATION, the second largest sugar producer in South Africa after C. G. Smith Sugar, with 35 per cent of last year's crop, forecasts that earnings for the current year to March 31, 1979 are likely to be below those for the year just ended. Last year, net attributable earnings were down from R17.2m to R15.9m ($18.3m), and the annual dividend was reduced, for the second year running, from 31 cents to 28 cents a share.

A breakdown of results shows that sugar contributed 70 per cent of last year's operating income, and aluminium fabrication—through the listed subsidiary Huletts Aluminium—22 per cent. Other divisions, such as paper-making, transport, engineering and timber, made relatively minor profits and property development showed a loss of R0.2m.

As the other sugar companies have indicated, the outlook for sugar this year is poor. Mr. C. J. Saunders, chairman of Hulett's, observes that "the South African industry is faced with the distinct prospect that total sales proceeds from the 1978-79 sugar crop will not be sufficient to cover costs of production and the modest return on capital allowed by the Government, unless the domestic price is increased." Initial indications are that Huletts will produce 690,000 tons this season out of the industry's 2m tons.

The directors also predict lower earnings from the aluminium interests, which have recently completed an expansion programme. In part, the expected shortfall will reflect the ending of investment allowances, which have held taxation down in the past. However, Huletts Aluminium is now reckoned to have sufficient capacity to cope with the expected demand until the mid-1980s'.

With other sugar shares, Huletts have been a weak spot in the generally buoyant industrial market and are now 185 cents. They yield 15.1 per cent on last year's 28 cents dividend, but a reduction to about 25 cents seems probable for the current year. Net worth of the corporation, which is among the Republic's largest in asset terms, was 548 cents per share.

Hong Kong consortium for power project

HONG KONG, July 6.

A LOCAL consortium has been formed for development of Hongkong Electric Company's North Point power station site in Hong Kong, Hongkong Electric has announced. A full announcement is to be made shortly.

The development of the 460,000 sq ft site, according to sources here, is to be carried out as a joint venture between Hongkong Electric and a group of companies led by Cheung Kong Holdings as project manager. Cheung Kong, however, has declined to comment. Reuter

* * *

The Supreme Court here today sanctioned the scheme of arrangement for **City Hotels** to become a wholly-owned subsidiary of Hongkong Land, writes Anthony Rowley from Hong Kong.

Fraser & Neave jumps by 43%

BY H. F. LEE

SINGAPORE, July 6.

FRASER AND NEAVE (F and N), the largest soft drinks bottler in Singapore and Malaysia, has posted a bumper 43 per cent increase in group post-tax profit to S$22.5m (US$10.92m) for the year ended March, 1978. Pre-tax profit also rose by 43 per cent to S$38m.

As a result, F and N has decided to reward shareholders with a higher dividend payment of 16 cents per stock unit. This makes a total of 22 cents for the year against 18 cents.

F and N attributed the better results to higher sales volume, which rose by 19.7 per cent to S$157.7m, and improved operating efficiencies. However, it complained that due to price constraints, its bottled soft drinks operation in Singapore continued to suffer losses. The company was obviously referring to its unsuccessful attempts, together with other soft drinks bottlers in Singapore, to secure official approval to raise soft drinks prices in the Republic.

The company for the first time equity-accounted associated companies in which it has between 20 and 50 per cent interests.

Associates include Malayan Breweries (40 per cent), Premier Milk Malaya (50 per cent), Premier Milk Singapore (50 per cent), Beatrice Food Malaya (50 per cent), Beatrice Foods Singapore (50 per cent), and Malaya Glass (21 per cent).

However, the bulk of the earning from associates comes from Malayan Breweries which is the largest brewery group in Singapore and Malaysia and which recently acquired significant stakes in leading breweries in New Zealand.

Group pre-tax profit excluding income of associates amounted to S$22.5m, some 51 per cent higher than last year's S$14.85m.

NatWest opens in Melbourne

By Our Financial Staff

National Westminster Bank officially opened its Melbourne representative office yesterday. Mr. Chris Masters will be in charge of the Office. He was previously a Joint Representative at the Sydney Office.

Union Bank of the Middle East

DUBAI, July 6.

TOTAL ASSETS of the Union Bank of the Middle East reached Dh 1.36bn ($350m) in the bank's first year of operations, to March 31.

Profits came to Dh 20.5m ($5.3m), after a transfer to inner reserves. Of the profit, Dh 8.1m was transferred to legal and general reserves. Agencies

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

	Bid	Offer
STRAIGHTS		
[illegible]		
Finance for Ind. 9½pc 1987	89½	90½
Finance for Ind. 10pc 1989	91½	92½
Fisons 10½pc 1987	95½	96½
Gestetner 11pc 1988	90½	91½
INA 10pc 1988	90½	91½
Rowntree 10½pc 1988	97½	98½
Sears 10½pc 1988	89½	90½
[illegible]		
Matsushita 6½pc 1990	133	134
Mitsui 7¼pc 1990	131½	132½
J. P. Morgan 4¾pc 1987	94½	96
Nabisco 5½pc 1988	104	103½
Owens Illinois 4½pc 1987	108½	110
J. C. Penney 4½pc 1987	75	76½
Revlon 4¾pc 1987	137½	139
[illegible]		

Source: Kidder, Peabody Securities.

CONTRACTS & TENDERS

ART GALLERIES

CLUBS

CLASSIFIED ADVERTISEMENT RATES

	per line £	single column cm. £
Commercial and Industrial Property	4.50	14.00
Residential Property	2.00	8.00
Appointments	4.50	14.00
Business & Investment Opportunities, Corporation Loans, Production Capacity, Businesses for Sale/Wanted	5.25	16.00
Education, Motors, Contracts & Tenders, Personal, Gardening	4.25	13.00
Hotels and Travel	2.75	10.00
Book Publishers	—	7.00

Premium positions available
(Minimum size 40 column cms.)
£1.50 per single column cm. extra
For further details write to:
Classified Advertisement Manager,
Financial Times, 10, Cannon Street, EC4P 4BY.

COMPANY NOTICES

PRIVREDNA BANKA ZAGREB

US$25,000,000 Floating Rate Notes due 1985

In accordance with the terms and conditions of the Notes, the rate of interest has been fixed at 10⅛% per annum for the interest period running from July 6, 1978 to January 7, 1979.

Coupon Amount for each coupon: US$54.25, payable on January 8, 1979.

NACIONAL FINANCIERA S.A.

U.S.$100,000,000
Floating Rate Notes due 1985 to 1993

In accordance with the terms and conditions of the above mentioned Notes the interest rate for the period of 6 months from 5th July, 1978, has been fixed at 10¼ per cent p.a.

BANQUE INTERNATIONALE A LUXEMBOURG
Société Anonyme
As Fiscal Agent

SAVE AND PROSPER FINANCIAL SECURITIES FUND

Coupon 114 falls due for payment on 15th July, 1978, at a rate of 0.88p per Financial Securities Fund Unit. Coupons should be presented to the Royal Bank of Scotland Limited, Lombard Street Office, P.O. Box 412, 62 Lombard Street, London EC3P 3DE, from whom listing forms can be obtained. Coupons must be lodged by an authorised depositary and left three days for examination.

JAMES BEATTIE LIMITED

NOTICE IS HEREBY GIVEN that the 6% Preference Share TRANSFER BOOKS of the Company will be closed from the 24th to the 31st July, 1978, both dates inclusive.

By Order of the Board,
G. T. LOWNDES,
Secretary.

71-78 Victoria Street,
Wolverhampton.

OMRON TATEISI ELECTRONICS CO.

[illegible]

... BANK OF TOKYO LIMITED, ... dorf, Schadowplatz 12, Federal Republic of Germany
BANK OF TOKYO LIMITED, Avenue des Arts 47/49 1040 Brussels Belgium
BANK OF TOKYO LIMITED, Sutherland House, 3 Chater Road, Hong Kong
BANK OF TOKYO TRUST CO., 100 Broadway, New York, U.S.A.

IN THE CASE OF COUPONS PRESENTED FOR PAYMENT IN LONDON
United Kingdom Tax will be deducted from the proceeds unless accompanied by an Inland Revenue Affidavit of Non-Residence. Coupons must be presented by an Authorised Depositary and must be left four clear days for examination.

LEGAL NOTICES

No. 002022 of 1978
No. 002025 of 1978
No. 002028 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matters of CROFTON JOINERY LIMITED, HONEY BROWN FASHIONS LIMITED, YALEFERN LIMITED and in the Matter of The Companies Act, 1948

NOTICE IS HEREBY GIVEN, that Petitions for the Winding-up of the above-named Companies by the High Court of Justice were, on the 26th day of June 1978, presented to the said Court by THE [illegible]

[illegible]

... of the regulated charge for the same.

D. J. FREEMAN & COMPANY,
9 Cavendish Square,
London W1M 9DD.
Ref: PB/40957. Tel: 01-636 4055.
Solicitors for the Petitioner

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 28th day of July 1978.

EXHIBITIONS

PERSONAL

PUBLIC NOTICES

BUCKINGHAMSHIRE COUNTY COUNCIL
The Buckinghamshire County Council issued on 6th July, 1978, £6M Bills due 5th October, 1978. Applications totalled £47.1M and the entire issue was made at 9 27-64ths%.
There are no other Bills outstanding.

PLYMOUTH CITY COUNCIL
£0.5m Bills issued 5th July, 1978, due 4th October, 1978, @ 9 13/32%. Total Applications £5.5m.
Bills outstanding £0.5m.

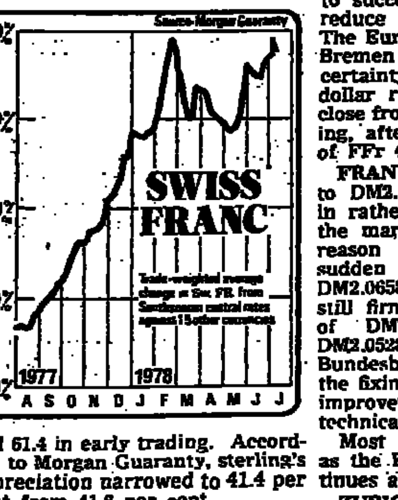
ROCHDALE METROPOLITAN BOROUGH COUNCIL BILLS
£2,500,000 Bills issued 5.7.78 maturing 4.10.78 @ 9 7/16%. Applications totalled £18,000,000 and there are £2,500,000 Bills outstanding.

Currency, Money and Gold Markets

Dollar improves and pound firm

The dollar recovered quite sharply in the foreign exchange market yesterday, although there seemed to be little reason for the improvement except a lack of news coming from the European Community summit meeting in Bremen. The U.S. currency's trade-weighted depreciation since the Washington Currency Agreement, as calculated by Morgan Guaranty of New York on noon rates, narrowed to 7.4 per cent from 7.8 per cent.

Sterling was also firmer overall, even though it lost ground in common with other currencies against the dollar. The pound's trade-weighted index, on Bank of England figures, rose to 61.6 from 61.4, after standing at 61.5 at noon and 61.4 in early trading. According to Morgan Guaranty, sterling's depreciation narrowed to 41.4 per cent from 41.6 per cent.



In general there was a good commercial demand for sterling in active trading, while there was probably no intervention in favour of the dollar by central banks yesterday.

Against the dollar, the pound opened at $1.8680-1.8690, and touched a best level of $1.8715-$1.8725. The dollar's general rise pushed sterling to a low point of $1.8660-1.8670, and it closed at $1.8670-1.8680, a fall of 25 points on the day.

Major European currencies and the Japanese yen all fell quite sharply from opening levels. The dollar touched DM 2.0690 against the German D-mark, before closing at DM 2.0665, compared with DM 2.0555 on Wednesday. It rose to SwFr 1.8400 in terms of the Swiss franc, and closed at SwFr 1.8345, compared with SwFr 1.8176, and improved to Y203.25 against the yen, before closing at Y203.00, compared with Y201.50 on Wednesday.

Similar movements were shown against other currencies, with the dollar generally finishing slightly below its best level of the day. It touched FFr 4.4925 in terms of the French franc, and finished at FFr 4.4912½, against FFr 4.4475 previously, and FFr 4.4400 in the morning.

PARIS—Trading was thin and nervous on unconfirmed rumours that President Carter may be near to success on his programme to reduce U.S. energy consumption. The European Council meeting in Bremen also contributed to uncertainty in the market. The dollar rose to FFr 4.4850 at the close from FFr 4.4450 in the morning, after touching a high point of FFr 4.4950 in mid-afternoon.

FRANKFURT—The dollar rose to DM2.0690 against the D-mark in rather confused trading, with the market unable to suggest a reason for the U.S. currency's sudden strength. It eased to DM2.0658 in late trading, but was still firmer than the fixing level of DM2.0603, compared with DM2.0528 on Wednesday. The Bundesbank did not intervene at the fixing, when the dollar's early improvement was put down to technical factors and profit taking.

Most of the session was quiet as the EEC summit meeting continues at Bremen.

ZURICH—Trading was described as quiet, with the dollar stabilising, and no sign of any central bank intervention.

AMSTERDAM—The dollar rose to Fl 2.2250 against the guilder in late trading, after being fixed at Fl 2.2130, compared with Fl 2.2090 previously.

MILAN—The dollar rose to L849.75 in the afternoon, from a fixing level of L847.50.

TOKYO—In moderate trading the dollar improved against the yen, to finish at Y202.20, compared with Y200.97½ on Wednesday. The rise was considered to be temporary however, and was probably caused by demand for the dollar from a foreign financial concern.

THE POUND SPOT

July 6	Bank rate %	Day's spread	Close
U.S. $	7½	1.8660-1.8725	1.8670-1.8680
Canadian $	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]
Belgian Fr.	[illegible]	[illegible]	[illegible]
Danish Kr.	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]
Port. Esc.	[illegible]	[illegible]	[illegible]
Span. Pes.	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Norwgn. Kr.	[illegible]	[illegible]	[illegible]
French Fr.	[illegible]	[illegible]	[illegible]
Swedish Kr.	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Austria Sch.	[illegible]	[illegible]	[illegible]
Swiss Fr.	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc [illegible].

FORWARD AGAINST £

	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Six-month forward dollar 2.59-2.49c pm. 12-month 4.90-4.80c pm.

THE DOLLAR SPOT

July 6	Day's spread	Close
Canad'n $*	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
Belgian Fr.	[illegible]	[illegible]
Danish Kr.	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]
Port. Esc.	[illegible]	[illegible]
Span. Pes.	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Nrwgn. Kr.	[illegible]	[illegible]
French Fr.	[illegible]	[illegible]
Swedish Kr.	[illegible]	[illegible]
Yen	[illegible]	[illegible]
Austria Sch.	[illegible]	[illegible]
Swiss Fr.	[illegible]	[illegible]

* U.S. cents per Canadian $.

FORWARD AGAINST $

	One month	p.a.	Three months	p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

July 6	Special Drawing Rights	European Unit of Account
Sterling	[illegible]	[illegible]
US dollar	[illegible]	[illegible]
Canadian dollar	[illegible]	[illegible]
Austrian schilling	[illegible]	[illegible]
Belgian franc	[illegible]	[illegible]
Danish kroner	[illegible]	[illegible]
Deutsche Mark	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]
Norwegian kroner	[illegible]	[illegible]
Peseta	[illegible]	[illegible]
Swedish kroner	[illegible]	[illegible]
Swiss franc	[illegible]	[illegible]

CURRENCY MOVEMENTS

July 6	Bank of England Index	Morgan Guaranty changes %
Sterling	[illegible]	[illegible]
U.S. dollar	[illegible]	[illegible]
Canadian dollar	[illegible]	[illegible]
Austrian schilling	[illegible]	[illegible]
Belgian franc	[illegible]	[illegible]
Danish kroner	[illegible]	[illegible]
Deutsche Mark	[illegible]	[illegible]
Swiss franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

July 6	£	$		£	Note Rates
Argentina Peso	[illegible]	[illegible]	Austria	[illegible]	[illegible]
Australia Dollar	[illegible]	[illegible]	Belgium	[illegible]	[illegible]
Finland Markka	[illegible]	[illegible]	Denmark	[illegible]	[illegible]
Brazil Cruzeiro	[illegible]	[illegible]	France	[illegible]	[illegible]
Greece Drachma	[illegible]	[illegible]	Germany	[illegible]	[illegible]
Hong Kong Dollar	[illegible]	[illegible]	Italy	[illegible]	[illegible]
Iran Rial	[illegible]	[illegible]	Japan	[illegible]	[illegible]
Kuwait Dinar (KD)	[illegible]	[illegible]	Netherlands	[illegible]	[illegible]
Luxembourg Franc	[illegible]	[illegible]	Norway	[illegible]	[illegible]
Malaysia Dollar	[illegible]	[illegible]	Portugal	[illegible]	[illegible]
New Zealand Dollar	[illegible]	[illegible]	Spain	[illegible]	[illegible]
Saudi Arabia Riyal	[illegible]	[illegible]	Switzerland	[illegible]	[illegible]
Singapore Dollar	[illegible]	[illegible]	United States	[illegible]	[illegible]
South African Rand	[illegible]	[illegible]	Yugoslavia	[illegible]	[illegible]

Rate given for Argentina is free rate.

EXCHANGE CROSS-RATES

July 6	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.868	3.863	379.5	8.388	3.425	4.158	1588.	2.099	60.80
U.S. Dollar	0.535	1.	2.068	203.2	4.491	1.834	2.226	850.3	1.124	32.56
Deutsche Mark	0.259	0.483	1.	98.25	2.172	0.887	1.076	411.2	0.543	15.74
Japanese Yen 1,000	2.635	4.921	10.18	1000.	22.10	9.028	10.96	4185.	5.530	160.2
French Franc 10	1.192	2.227	4.605	452.6	10.	4.083	4.957	1894.	2.503	72.49
Swiss Franc	0.292	0.545	1.128	110.8	2.449	1.	1.214	463.7	0.613	17.75
Dutch Guilder	0.241	0.449	0.929	91.26	2.017	0.824	1.	382.0	0.505	14.62
Italian Lira 1,000	0.630	1.176	2.432	238.9	5.281	2.156	2.618	1000.	1.321	38.28
Canadian Dollar	0.477	0.890	1.841	180.8	3.997	1.632	1.981	756.9	1.	28.97
Belgian Franc 100	1.645	3.072	6.353	624.2	13.80	5.633	6.838	2613.	3.451	100.

EURO-CURRENCY INTEREST RATES*

July 6	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss Franc	W. German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12-13	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12-14	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13-14	[illegible]	[illegible]

The following nominal rates were quoted for London dollar certificates of deposit: One month 8.05-8.15 per cent; three months 8.30-8.40 per cent; six month 8.70-8.80 per cent; one year 8.95-9.05 per cent.

Long-term Eurodollar deposits: two years 9¼-9½ per cent; three years 9 7/16-9 9/16 per cent; four years 9½-9¾ per cent; five years 9 9/16-9 11/16 per cent. * Rates are nominal closing rates.

Short-term rates are call for sterling, U.S. dollars and Canadian dollars: two days' notice for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

New York rates steady

Interest rates in New York showed little movement yesterday ahead of U.S. money supply figures and Federal funds opened at 7 11/16-7¾ per cent, hardly changed from Wednesday. Treasury bills were slightly weaker with 13-week bills at 7.06 per cent from 7.08 per cent late yesterday and 26-week bills at 7.44 per cent against 7.46 per cent. One-year bills eased slightly from 7.75 per cent from 7.73 per cent.

Certificates of deposit showed little change at 7.80 per cent for one-month; 7.99 per cent for two-month; and 8.13 per cent for three-month. Recent upward pressure on interest rates was again brought into focus when the Bank of New York raised its broker-loan rate from 8½ per cent to 8¾ per cent.

Bankers accepted offered rates were 7.70 per cent for 30 days; 7.85 per cent for 60-days; 7.95 per cent for 90-days; 8.0 per cent for 120-days; 8.05 per cent for 150-days; and 8.10 per cent for 180-days. High grade commercial paper was unchanged.

PARIS—Money market rates showed little change although day to day funds were easier at 7¼ per cent from 7⅜ per cent previously. One-month money remained at 7 7/16 per cent while funds for three-months fell to 7⅝-7¾ per cent against 7¾-7⅞ per cent. Longer periods were unchanged.

The French authorities have cancelled the arrangement made earlier this week concerning the revised limit set on interest rates for private borrowers up to the end of this year. The rate had been set for the six months to December at 22.72 per cent.

BRUSSELS—After Tuesday's firmer trend, deposit rates yesterday eased back, with call money at 5¼-6¼ per cent compared with 5¾-6¾ per cent. Longer term rates were softer throughout and three-month funds fell to 6¼-6⅝ per cent from 6⅜-6¾ per cent. Six-month money eased to 6⅝-6⅞ per cent from 6¾-7 per cent, and 12-month to 7¼-7½ per cent against 7⅜-7⅝ per cent.

FRANKFURT—Interbank money market rates showed little change with one-month money firming slightly to 3.65 per cent from 3.6 per cent while other rates remained generally steady.

AMSTERDAM—Call money was firmer at 4½-4¾ per cent from 4¼-4½ per cent and longer periods were unchanged with the exception of three-month money, which rose to 4⅞-5⅛ per cent from 4¾-4⅞ per cent.

HONG KONG—Once again conditions in the money market were tight with call money at 5½ per cent and overnight business dealt at 5 per cent.

MANILA—Philippine money market rates were unchanged from the previous day's levels.

UK MONEY MARKET

Free credit supply

Bank of England Minimum Lending Rate 10 per cent (since June 8, 1978)

Conditions in yesterday's money market were relatively dull and the Bank of England was not required to give any assistance. Preliminary indications pointed towards a fairly comfortable surplus but once again events turned out to be rather patchy with some houses paying up to 9¾ per cent for secured call loans at the end. Elsewhere, closing balances were taken between 8 per cent and 8¾ per cent.

The market was faced with a fairly large net take-up of Treasury bills and a sizeable excess of revenue transfers to the Exchequer over Government disbursements. There was also the repayment of Wednesday's small overnight loans. On the other hand, banks brought forward balances way above target and the number of notes in circulation declined.

In the interbank market overnight loans opened at 9-9¼ per cent and eased to 8¾-9 per cent and this level saw a lot of the day's business. Rates continued to ease to 8½-8¾ per cent before firming to 9-9½ per cent. However closing balances were taken at between 9 per cent and 10 per cent.

Short term fixed period interest rates showed little change and Bank of England Minimum Lending Rate was unchanged at 10 per cent.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

July 6 1978	Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	8½-10	—	—	—	9½	8-9¼	—	—	—
2 days notice	—	—	9⅝-9⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	9¾	—	—	—	—
7 days notice	—	9¼ 9⅝	9½-9¾	—	9¾-10	—	9 9¼	—	—	—
One month	9½-9⅝	9½ 9⅞	9⅝-9⅞	10⅝-9⅞	10-10⅛	10	[illegible]	9½-9¼	9¾	10½
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10½
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10⅝
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	10¾
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
Two years	—	—	[illegible]	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. [illegible]

GOLD

Weaker trend

Gold fell $1½ to $182¾-183, influenced by the improvement of the dollar, and disappointment at the result of the latest auction by the International Monetary Fund.

At the IMF gold auction on Wednesday 490,800 ounces were sold at an average price of $184.14. A total of 20,800 ounces were awarded under the scheme to allow developing countries to buy gold at non-competitive prices, while the other 470,000 ounces were sold at prices ranging from $183.97 to $185.01.

In Paris the 12½ kilo bar was fixed at FFr 26,500 per kilo ($184.51 per ounce) in the afternoon, compared with FFr 26,725 ($185.55) in the morning.

In Frankfurt the 12½ kilo bar was fixed at DM 12,115 per kilo ($183.37 per ounce), compared with DM 12,155 ($184.13) previously.

	July 6	July 5
Gold Bullion (a fine ounce)		
Close	$182¾-183	$184-184¼
Opening	[illegible]	$184-184¼
Morning fixing	$183.45	$184.40
	(£98.080)	(£98.557)
Afternoon fixing	$182.75	$184.20
	(£97.852)	(£98.397)
Gold Coins domestically		
Krugerrand	$188½-190½	$190-192
	[illegible]	(£101½-102½)
New Sovereigns	$54¼-56¼	$55-57
	[illegible]	(£29½-30½)
Old Sovereigns	$55½-58	$54-58
	(£29½-29½)	(£28½-29½)
Gold Coins internationally		
Krugerrand	$188-190	$189½-191½
	(£100½-101½)	(£101½-102½)
New Sovereigns	$52¼-54¼	$53-55
	[illegible]	(£28½-29½)
Old Sovereigns	[illegible]	$54-56
	[illegible]	(£29-29½)
$20 Eagles	$276½-278	$276½-278
$10 Eagles	[illegible]	$141-144
$5 Eagles	$98-104	$98-104

MONEY RATES

NEW YORK

Prime Rate	9
Fed Funds	7.71875
Treasury Bills (13-week)	7.06
Treasury Bills (26-week)	7.44

GERMANY

Discount Rate	3
Overnight	3.5
One month	3.65
Three months	3.7
Six months	3.85

FRANCE

Discount Rate	9.5
Overnight	[illegible]
One month	[illegible]
Three months	[illegible]
Six months	[illegible]

JAPAN

Discount Rate	3.5
Call (Unconditional)	[illegible]
Bills Discount 3 month	[illegible]

The Application List for the Ordinary Shares now offered for sale will open at 10 a.m. on Wednesday, 12th July, 1978, and will close at such later time on the same day as Robert Fleming & Co. Limited may determine. A copy of this Offer for Sale, having attached thereto the documents specified below, has been delivered to the Registrar of Companies for registration. Application has been made to the Council of The Stock Exchange for the whole of the issued Ordinary Share capital of Cartiers Superfoods Limited ("the Company") to be admitted to the Official List. This document contains particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information to the public with regard to the Company. The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

CARTIERS SUPERFOODS LIMITED

(Incorporated under the Companies Acts 1948 to 1967)

Offer for Sale

by

Robert Fleming & Co. Limited

of

3,210,000 Ordinary Shares of 20p each at 55p per Share

payable in full on application

The Ordinary Shares now offered will rank in full for all dividends hereafter declared on the Ordinary Share capital of the Company.

Authorised: £	SHARE CAPITAL	Issued or to be issued and fully paid: £
4,000,000	in 20,000,000 Ordinary Shares of 20p each	2,586,000

INDEBTEDNESS

At the close of business on 24th June, 1978 the Company had outstanding Bank loans of £1,228,317 secured on freehold properties and hire purchase commitments of £5,699. The Company had at that date cash balances of £80,845. Save as aforesaid at that date the Company had no loan capital (including term loans) outstanding or created but unissued, and had outstanding no mortgages, charges, or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances, or acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities.

Board of Directors

LEWIS ERNEST CARTIER
Burma Buildings, Church Street, Rochester, Kent ME1 2DA
(Chairman and Managing Director)

TIMOTHY ROY LEIGH, F.C.A.
Burma Buildings, Church Street, Rochester, Kent ME1 2DA
(Deputy Chairman)

MALCOLM JOHN SKEELS
Burma Buildings, Church Street, Rochester, Kent ME1 2DA
(Deputy Managing Director)

AMY MOUNTFORD
Burma Buildings, Church Street, Rochester, Kent ME1 2DA

RAYMOND JOHN DAVIES
Burma Buildings, Church Street, Rochester, Kent ME1 2DA

REGINALD EDWARD CULVERHOUSE
Burma Buildings, Church Street, Rochester, Kent ME1 2DA

LINDA PAULINE CARTIER
Burma Buildings, Church Street, Rochester, Kent ME1 2DA

MADELEINE ANNE SKEELS
Burma Buildings, Church Street, Rochester, Kent ME1 2DA

PETER ASHFORD EVE
Flat 10, 23 Bunhill Row, London EC1Y 8LP
(Non-Executive)

Secretary and Registered Office
AMY MOUNTFORD
Burma Buildings, Church Street, Rochester, Kent ME1 2DA

Auditors and Reporting Accountants
PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants
1 Puddle Dock, Blackfriars, London EC4V 3PD

Solicitors

To the Company:
BOYS & MAUGHAN
India House, Hawley Street,
Margate, Kent CT9 1PZ

To Robert Fleming & Co. Limited:
LINKLATERS & PAINES
Barrington House,
59/67 Gresham Street,
London EC2V 7JA

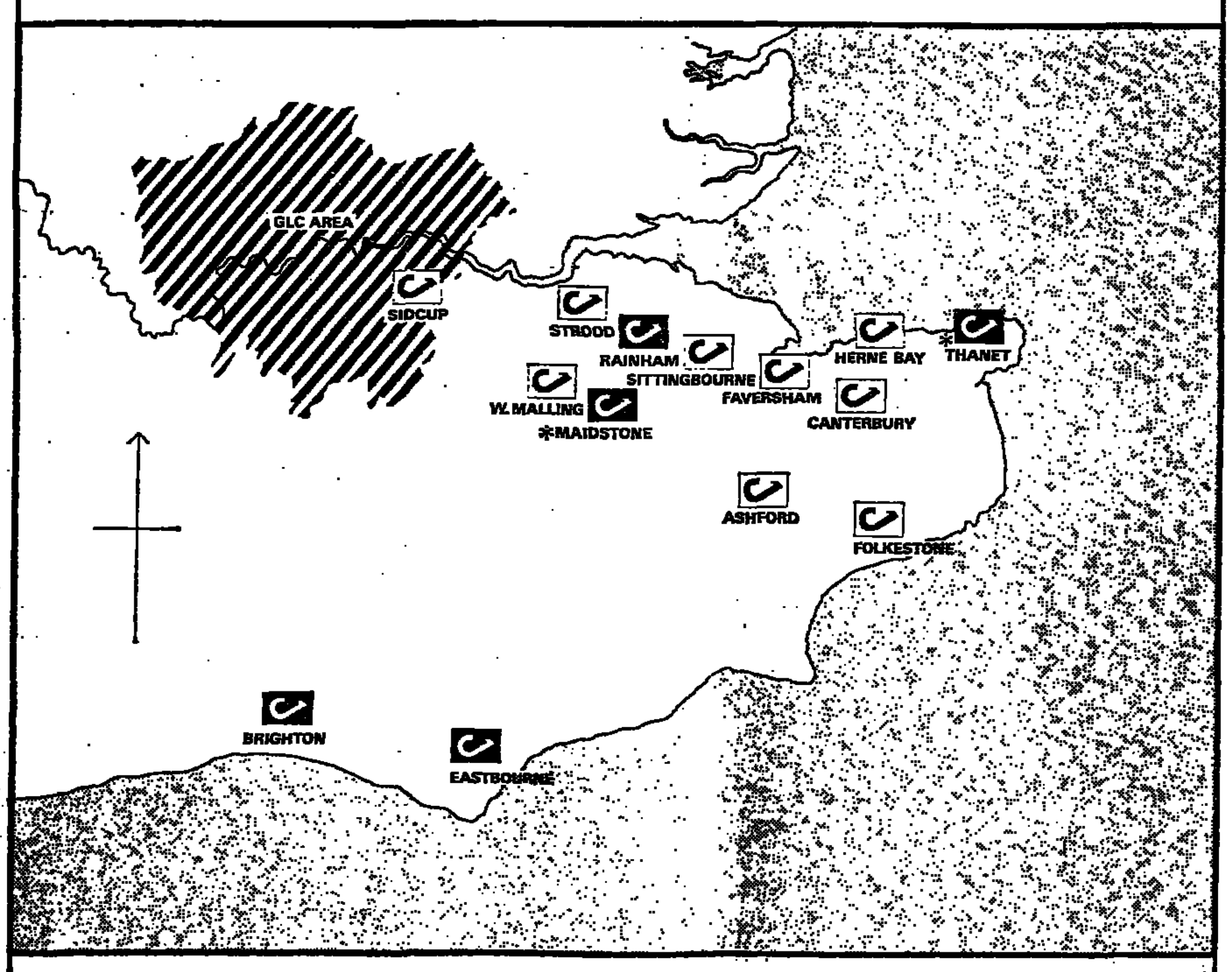
Brokers
L. MESSEL & CO.
Winchester House, 100 Old Broad Street,
London EC2P 2HX and The Stock Exchange

Bankers
BARCLAYS BANK LIMITED
Star House, Star Hill, Rochester,
Kent ME1 1UX

Receiving Bankers
BARCLAYS BANK (LONDON AND INTERNATIONAL) LIMITED
New Issues Department,
2 London Wall Buildings,
London Wall, London EC2P 2BU

Registrars and Transfer Office
BARCLAYS BANK (LONDON AND INTERNATIONAL) LIMITED
Radbroke Hall, Knutsford, Cheshire WA16 9EU

Location of Stores



Existing Stores

New Sites
*Maidstone and Thanet stores will replace existing stores

BRIEF SUMMARY

The following information is derived from the full text of the Offer for Sale and accordingly must be read in conjunction with that text.

Trading Record

	December, 1973 £'000	December, 1974 £'000	December, 1975 £'000	January, 1977 (57 weeks) £'000	January, 1978 £'000
	Accounting Period ended in				
Sales	1,482	3,302	6,860	13,871	20,118
Profit before tax and extraordinary items	47	130	339	604	828
Shareholders' funds	65	195	505	1,016	1,781
Properties					
Number of Stores at year end	7	8	10	10	11
Selling area (sq. ft.)	28,000	36,000	74,000	90,000	118,000

The four freehold stores already developed and trading were valued at £2,510,000 by Donaldson & Sons, Chartered Surveyors, as at 30th May, 1978, revealing a surplus of £782,000 over book value, which has now been incorporated into the Company's books.

With five new stores—four of which will be freehold—due to open in the 1979/80 financial period the selling area will increase to 187,000 sq. ft., an increase of 58 per cent. As two are relocations the number of stores will increase to fourteen.

Forecasts for the 52 weeks ending 27th January, 1979

Turnover—approximately	£28.5m
Profit before taxation and extraordinary items—not less than	£1.25m
Dividends per share (inclusive of related tax credit)	3.6p
Earnings per share:	
Based on expected tax charge	9.2p
Based on a theoretical tax charge of 52%	5.0p

Offer for Sale Statistics

Offer for Sale price	55p
Market capitalisation at the Offer for Sale price	£7·1m
Forecast dividend yield	6·5%
Price earnings multiple:	
Based on expected tax charge	6·0
Based on a theoretical tax charge of 52%	11·0

The following is a copy of a letter to Robert Fleming & Co. Limited from Mr. L. E. Cartier, Chairman and Managing Director of Cartiers Superfoods Limited:—

The Directors,
Robert Fleming & Co. Limited.

5th July, 1978

Dear Sirs,

In connection with the Offer for Sale of Ordinary Shares in Cartiers Superfoods Limited ("Cartiers"), I have pleasure in providing you with the following information:—

BUSINESS

Cartiers operates as a food retailer in South East England selling for cash a wide range of fresh and frozen foods, dry goods and grocery products. We concentrate on providing value for money, quality and convenience for the shopper and currently operate through eleven outlets with a selling area of 118,000 sq. ft. It has been, and remains, our policy to increase the average size of outlets.

Each store has a highly distinctive open plan layout with its own butchery department which prepares fresh meat for immediate sale or for freezing and subsequent sale from freezer display cabinets. Five of the existing stores have in-store bakeries which provide a range of freshly baked goods. Delicatessen counters, selling amongst other items a wide range of cheeses and cooked meats, are being introduced. In addition to meat and fish a limited range of goods is sold under Cartiers' own label—but only when such goods are of a quality equal to that of brand leaders but are cheaper.

A wine and spirit merchant has outlets in three stores and a greengrocer in two.

BACKGROUND

In 1964 at the age of 18 I qualified as a butcher in my home county of Kent, before moving to Devon where I gained managerial experience in the butchery trade. Four years later I returned to Kent determined to run my own business. I borrowed £500 to buy a van and with the help of a friend, who allowed me to use the facilities of his butcher's shop, I built up a flourishing door-to-door butcher's round.

By the Autumn of 1969, this venture had succeeded to a point where I was able to acquire on a delayed purchase deal my first freehold shop, in Margate. I recognised that many of my customers were starting to use home freezers and I decided to instal the necessary storage facilities to provide for this new and growing market. During this period, in order to increase buying power, I did a limited amount of wholesaling to other retailers. This enabled me to provide the increasing number of shoppers at my store with keener prices than would otherwise have been possible, and it was therefore from a position of strength that I was able to launch Cartiers.

CARTIERS—GROWTH TO DATE

Cartiers was incorporated on 8th September, 1971 with a paid up Share capital of £5,000. No further equity capital has been injected into Cartiers prior to this Offer for Sale, the increases in Share capital having resulted entirely from retained profits and property revaluations.

At the outset I invited Tim Leigh, a Chartered Accountant, to join the Board. Cartiers opened its first store in October, 1971 in Ramsgate with a selling area of 5,000 sq. ft. This store was immediately successful and we were soon planning expansion. Our principal objective was to open outlets in the main population centres within reasonable reach of Head Office as quickly as our resources would allow.

After a total of twenty store "openings", including six relocations to improved sites and three extensions to existing stores, we now have eleven stores trading. The store at Faversham and our purpose-built store at Strood—both opened in 1977—alone increased our selling area by a greater amount than the total selling area of the seven stores trading at the end of 1973.

During 1978 we are improving our Head Office at Rochester, increasing both space and facilities, in preparation for the next important stage in our expansion.

EXPANSION—THE NEXT STAGE

Cartiers has recently secured five more sites which have planning permission for development as purpose-built stores. These are at Rainham (Kent); Maidstone; Thanet; Hampden Park, Eastbourne ("Eastbourne"); and Portslade, Brighton ("Brighton"). These, together with the planned extension at Folkestone, will increase our selling area by 58 per cent.

Rainham, planned to open in January, 1979, will increase our coverage in Kent, whereas Maidstone and Thanet are to be much larger replacements of existing stores. The openings planned in Eastbourne and Brighton, however, represent a territorial thrust into Sussex with the new possibilities that this will bring to our company. These new purpose-built stores are scheduled to open approximately at monthly intervals following the opening at Rainham, with the exception of Brighton, which is planned to open before Christmas, 1979.

When all are open we will have achieved a dramatic increase in average store size from 19,400 sq. ft. to 24,400 sq. ft. gross. As two are relocations the number of stores will increase from eleven to fourteen. A map illustrating the existing stores, together with the new stores planned to be trading at the end of 1979, is set out elsewhere.

A table is set out below, categorising the stores in three size groups and contrasting the eleven stores currently trading with the position when the five new stores are trading by the end of 1979. By then the number of small stores trading will be halved, large stores doubled and medium stores more than doubled.

EXPANSION—BEYOND THE NEXT STAGE

As there can be considerable delays between finding a potential site, obtaining the necessary planning permissions, completing building work and opening the store, we are continuing the search to maintain a healthy supply of sites to support a programme of store openings in the early 1980's. Several sites are under active consideration in South London, Kent and Sussex and the search is being extended into Essex and Surrey.

FREEHOLD PROPERTIES

As our resources have allowed, we have progressively invested in freeholds. The success of this policy is demonstrated by a valuation on an open market value basis carried out by Donaldson & Sons, Chartered Surveyors, as at 30th May, 1978, of Cartiers' four freehold stores presently trading. These stores at Sidcup, Folkstone, Faversham and Strood were valued at £2,510,000. The surplus of £782,000 over book value has now been incorporated into the Company's books. No allowance has been made for tax on the potential capital gains, due to the expected availability of roll-over relief.

The value of freehold properties at the last audited balance sheet date, adjusted for the subsequent revaluation and after deducting prior charges, accounted for more than two-thirds of shareholders' funds.

The new sites at Maidstone, Thanet, Eastbourne and Brighton will be freehold. A schedule of Cartiers' properties is set out elsewhere.

GROSS AREA OF STORES

SMALL

July 1978	sq. ft.	December 1979	sq. ft.
West Malling	15,000	West Malling	15,000
Sittingbourne	8,500	Sittingbourne	8,500
Herne Bay	2,500	Herne Bay	2,500
Folkestone	18,000		
Thanet	15,000		
Maidstone	2,500		
	61,500		26,000

MEDIUM

July 1978	sq. ft.	December 1979	sq. ft.
Sidcup	27,000	Sidcup	27,000
Canterbury	25,000	Canterbury	25,000
Faversham	23,000	Faversham	23,000
		Rainham (Jan. 1979)	22,000
		*Maidstone (Feb. 1979)	24,000
		**Folkestone (Spring '79)	20,000
		*Thanet (Spring 1979)	20,000
	75,000		161,000

LARGE

July 1978	sq. ft.	December 1979	sq. ft.
Ashford	41,000	Ashford	41,000
Strood	36,000	Strood	36,000
		Eastbourne (May 1979)	32,000
		Brighton (late 1979)	45,000
	77,000		154,000

		July, 1978	December, 1979
TOTAL STORE AREA—sq. ft.	Gross	213,500	341,000
	Selling area	118,000	187,000
AVERAGE AREA PER STORE—sq. ft.	Gross	19,400	24,400
	Selling area	10,700	13,400

*relocation of existing Store.
**extension.

CARTIERS SUPERFOODS LIMITED

POLICIES

The principal policies which the Directors consider have contributed to the success of Cartiers and, taken together, distinguish it from other food retailers operating within its region are as follows:—

SITING OF STORES:

Cartiers' policy is that stores should have their own car parking facilities, wherever possible, and be in or near main population centres. As well as expanding into new areas it has been deliberate policy to expand through increasing the average size of stores either by relocating to a larger store in the same area or by extending existing stores.

STORE LAYOUT:

The highly distinctive layout provides a particularly attractive atmosphere for shopping, with wide aisles for easy passage, clear overhead signs and product display units of a height which does not restrict vision of other parts of the store. The substantial storage space at each store minimises inconvenience to shoppers from stock shortages.

BUYING:

All buying is tightly controlled by an experienced team at Head Office. Decisions are made and acted on rapidly; the keen terms negotiated can be reflected in all stores in a matter of hours. The above average storage area at each store and the warehouses at Rochester and Sittingbourne (with a total floor area of 19,000 sq. ft.) ensure adequate storage space for special bulk purchases.

PRICING:

Cartiers maintains consistently low prices on all lines, giving customers confidence in the value offered on all purchases. This feature is strengthened by advertising in local newspapers and on Southern Television.

PRODUCT RANGE:

The Directors have decided to concentrate on providing a wider range of food and groceries rather than diversifying into non-foods. The range of food and associated products is being continually extended with approximately 4,000 lines now being carried in most stores. Pack sizes which are larger than usual are offered in many lines. Meat and frozen foods contribute a much above average percentage of sales.

Five of the existing outlets have in-store bakeries which will also be a feature in all the five new stores planned for 1979.

STORE CONTROL:

Cartiers' high standards are maintained by supervisors from Head Office visiting every branch several times each week.

MANAGEMENT AND STAFF

I am 32 and have been Chairman and Managing Director of Cartiers since its inception. Although I am involved in all aspects of the business, I have particular responsiblity for buying policy and the selection of new sites.

Mr. Tim Leigh, F.C.A. (aged 40), who has been a Director of Cartiers since its inception, is Deputy Chairman and has particular responsibility for strategy and finance.

Mr. Malcolm Skeels (aged 31), who joined Cartiers in 1975, became a Director in 1976 and Deputy Managing Director in March, 1978. He assists me in selecting, planning and opening new branches. He is responsible for the purchasing of certain product groups and for the bakery operations.

Mrs. Amy Mountford (aged 57) has been with Cartiers since its inception and is Director with overall responsibility for central administration. She is also Company Secretary.

Mr. Raymond Davies (aged 31) joined Cartiers in 1973, became a Director in 1976 and is a merchandising specialist. He is responsible for overall supervision of the stores with a team of six supervisors reporting to him.

Mr. Reginald Culverhouse (aged 52), who joined Cartiers in 1973, is the Buying Director with special responsibility for meat purchasing and imported foods.

Mrs. Linda Cartier (aged 29), my wife, is a Director with responsibility for female personnel who account for over half of our full time employees. Except for a short period she has been with Cartiers since 1973.

Mrs. Madeleine Skeels (aged 24), a merchandising specialist, is Director with responsibility for supervising store administration. She joined Cartiers in 1971.

Mr. Peter Eve (aged 61) joined the board on 5th June, 1978 as a non-executive Director. Until his retirement at the end of 1976 he was a Director of Barclays Merchant Bank Limited and in that capacity has had knowledge of Cartiers' affairs since 1975.

Certain Directors have entered into service contracts with Cartiers, details of which are set out under the heading "Statutory and General Information".

Cartiers has a central management team consisting of all the executive Directors and three senior executives. A manager is responsible for the day-to-day running of each store. All store managers are thoroughly trained in Cartiers' methods and have a comprehensive manual for reference. In the large and medium sized stores the store manager is assisted by a deputy manager, a warehouse manager, a butchery manager and, where applicable, a bakery manager.

Cartiers has a total of 610 employees (of whom 171 are part time) and there is an enthusiastic team to provide the basis of future store management.

Staff relations in Cartiers are good and turnover of established full-time staff is low. This has been achieved to a large extent by Cartiers' policy of promotion, of providing a pleasant environment for staff and of offering competitive remuneration.

PROCEEDS OF THE ISSUE AND WORKING CAPITAL

The shares now being offered for sale include 1,280,000 shares being made available by existing shareholders. The balance of 1,930,000 shares are new shares which, after deducting the expenses of the Offer for Sale payable by Cartiers, will raise approximately £825,000 of additional finance for Cartiers.

Contracts have been signed for the building of the stores at Eastbourne and Thanet and a letter of intent has been signed for building the store at Maidstone. The outstanding capital commitments on these stores amount to approximately £1,080,000 and undrawn medium term finance of £760,000 is available.

It is expected that contracts will be signed later this year for the building of the Brighton store and the Directors estimate the cost will amount to approximately £950,000. They are confident that medium term building finance of approximately £600,000 will be available for this project.

The new capital now being raised will strengthen the net asset position of Cartiers and will provide additional funds for the expansion of the business, and in particular for the development of the new sites mentioned above.

The Directors are of the opinion that Cartiers' existing resources and bank overdraft facilities, together with the net proceeds of the issue of the new shares, will be sufficient to provide adequate working capital for its present requirements.

PROFITS AND PROSPECTS

Despite fierce competition in the food retailing sector, Cartiers continued to enjoy substantial sales growth in real terms during the accounting period ended in January, 1978, while maintaining net margin above 4 per cent. This achievement demonstrates the strength of Cartiers and the success of its policies.

The unaudited management accounts for the fourteen weeks to 6th May, 1978, prepared after a full physical stock take, show that, compared with the same period last year, there has been substantial sales growth in real terms and that gross margins have remained steady at the same level as in the latest accounting period despite continuing fierce competition. On the bases and assumptions set our in "Statutory and General Information", the Directors forecast that, in the absence of unforeseen circumstances, profit before taxation and extraordinary items for the 52 weeks ending 27th January, 1979 will amount to not less than £1.25 million on a turnover of approximately £28.5 million.

Continued sales growth in real terms, in particular reflecting a full year's trading for the first time at the stores at Strood and Faversham combined with a less than proportionate increase in overheads, accounts for the increase in net margin to 4.4 per cent.

The five openings planned for the 1979/80 accounting period will further increase the average size of our stores, and from past experience we would expect these openings to be profitable from the outset and to contribute to further growth.

DIVIDENDS AND APPROPRIATION OF PROFITS

On the basis of the forecast of profit for the 52 weeks ending 27th January, 1979, the Directors intend to pay an interim dividend of 1.2p (inclusive of related tax credit) in December, 1978 and to recommend a final dividend of 2.4p (inclusive of related tax credit) for payment in July, 1979. Net dividends for the full year will, therefore, assuming a basic rate of tax of 33 per cent., amount to 2.412p. The interim results will be announced in November covering the thirty-two week period to 9th September and it is intended in future years that interim and final dividends will be paid in December and July respectively.

Under current legislation, which expires on 31st July, 1978, Cartiers would not be subject to any dividend restrictions in respect of the two years ending 26th January, 1980.

As a result of Cartiers' expansion programme, no mainstream corporation tax is likely to be payable under current legislation in respect of at least the next two accounting periods. Taxation would therefore be limited to advance corporation tax on dividends paid. Assuming net dividends of 2.412p per share on the Share capital of £2,586,000 the profit before taxation and extraordinary items will be appropriated as follows:—

	£000's
Profit before taxation	1,250
Less: Advance corporation tax on the forecast dividends	154
Profit after taxation	1,096
Less: Forecast dividends totalling 2.412p per share	312
Profit retained	784

Dividends together with the related advance corporation tax will be covered 2.7 times. Based on a theoretical tax charge of 52 per cent., dividends would be covered 1.9 times by profit after taxation. The dividends, inclusive of the related tax credit assuming a basic rate of tax of 33 per cent., would represent a dividend yield of 6.5 per cent. at the Offer for Sale price of 55p.

The Directors intend that the dividends for the 1979/80 financial period will move in line with any increase in profit for that period.

Directors holding after the Offer for Sale 7,936,295 shares in Cartiers, representing 61.4 per cent. of the increased Share capital, intend to waive their entitlement to dividends in respect of the current financial period.

On the basis of the weighted average number of Ordinary Shares which will be in issue during the period ending 27th January, 1979, taking into account the Ordinary Shares now being issued, the forecast earnings per share are 9.2p.

At the Offer for Sale price Cartiers is valued on a price earnings multiple of 6.0. Applying a theoretical tax charge of 52 per cent., the earnings per share would be 5.0p and the price earnings multiple would be 11.0.

CONCLUSION

Since Cartiers started in 1971, it has shown that it has been able to anticipate changing market conditions in food retailing. Its business policies have proved successful in a period of intense competition. With the five new openings planned for 1979 and the further sites under consideration, the Directors believe that there is a good future for Cartiers.

Yours faithfully,
L. E. Cartier

ACCOUNTANTS' REPORT

The following is a copy of a report which has been received from Peat, Marwick, Mitchell & Co., the auditors and reporting accountants:—

The Directors,
Cartiers Superfoods Limited,
Burma Buildings,
Church Street,
Rochester,
Kent ME1 2DA

1 Puddle Dock,
Blackfriars,
London EC4V 3PD

5th July, 1978

The Directors,
Robert Fleming & Co. Limited,
8 Crosby Square,
London EC3A 6AN

Ladies and Gentlemen,

We have examined the audited accounts of Cartiers Superfoods Limited ("Cartiers") for the periods relevant to this report. These accounts were prepared under the historical cost convention, subject to the inclusion of a professional valuation of certain land and buildings. We have acted as auditors of Cartiers in respect of the last two accounting periods.

The summarised profit and loss accounts, source and application of funds statements and balance sheets set out below are based on the audited accounts of Cartiers, after making such adjustments as we consider appropriate. In our opinion these summaries, together with the notes thereon, give, under the convention stated above, a true and fair view of the profits of Cartiers and of its source and application of funds for the periods stated and of its state of affairs at the dates stated.

No audited accounts of Cartiers have been prepared in respect of any period subsequent to 28th January, 1978.

Profit and Loss Accounts

	Notes	Year ended 31st December, 1973	52 weeks ended 30th December, 1974	52 weeks ended 27th December, 1975	57 weeks ended 29th January, 1977	52 weeks ended 28th January, 1978
		£'000	£'000	£'000	£'000	£'000
Sales	2	1,482	3,302	6,860	13,871	20,118
Cost of sales	3	1,435	3,172	6,521	13,267	19,290
Profit before taxation and extraordinary items		47	130	339	604	828
Taxation	4	—	—	—	14	24
Profit after taxation and before extraordinary items		47	130	339	590	804
Extraordinary items	5	4	—	29	52	3
Dividends	6	—	—	—	27	36
Retained profit		43	130	310	511	765
Adjusted earnings per share	7	0.4p	1.2p	3.1p	5.4p	7.3p

Balance Sheets

	Notes	31st December, 1972	31st December, 1973	30th December, 1974	27th December, 1975	29th January, 1977	28th January, 1978
		£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets	8						
Freehold properties		68	68	143	109	801	1,869
Leasehold properties		6	18	27	93	134	179
Plant, equipment and motor vehicles		71	216	268	596	821	1,149
		145	303	438	804	1,756	3,197
Hire purchase liabilities		(43)	(103)	(55)	(152)	(41)	(13)
		102	200	383	652	1,715	3,184
Investment in associated company	9	—	—	—	—	—	5
Current assets							
Stock		40	139	201	582	898	1,953
Debtors		5	14	27	93	112	162
Short term deposits		—	—	112	213	88	—
Cash		—	1	1	7	138	62
		45	154	341	895	1,236	2,177
Current liabilities							
Creditors		77	236	472	1,014	1,545	2,601
Taxation	10	—	—	—	—	14	39
Short term borrowings	11	22	30	37	9	53	181
Proposed dividend		—	—	—	—	27	36
		99	266	509	1,023	1,639	2,857
Net current liabilities		(54)	(112)	(168)	(128)	(403)	(680)
Loans	11	(26)	(23)	(20)	(19)	(296)	(728)
Net tangible assets		22	65	195	505	1,016	1,781
Representing:							
Ordinary share capital	12	5	50	100	500	600	1,200
Undistributed profits	13	17	15	95	5	416	581
		22	65	195	505	1,016	1,781

Source and Application of Funds Statements

	Accounting Period ended in December, 1973	December, 1974	December, 1975	January, 1977	January, 1978
	£'000	£'000	£'000	£'000	£'000
Source of funds					
Profit before taxation and extraordinary items	47	130	339	604	828
Depreciation	15	30	60	98	131
Loss on sale of fixed assets	—	—	7	3	6
Professional fees treated as extraordinary items	—	—	—	(30)	(2)
Total generated from operations	62	160	406	675	963
Funds from other sources					
Sale of assets	8	4	67	41	49
Loans	—	—	—	318	475
	70	164	473	1,034	1,487
Application of funds					
Purchase of fixed assets	(181)	(169)	(529)	(1,115)	(1,627)
Investment in associated company	—	—	—	—	(5)
Loan repayments	(3)	(3)	(1)	(41)	(43)
Dividends	—	—	—	—	(27)
Purchase of goodwill	(4)	—	—	—	—
	(118)	(8)	(57)	(122)	(215)
Increase/(decrease) in working capital					
(Increase)/decrease in creditors	(158)	(236)	(542)	(531)	(1,056)
Net (increase)/decrease in hire purchase liabilities	(60)	48	(97)	111	28
Increase in debtors	9	13	66	20	50
Increase in stock	99	62	381	316	1,055
Increase/(decrease) in liquid funds:					
Cash balances	—	112	107	6	(164)
Short term borrowings	(8)	(7)	28	(44)	(128)
	(118)	(8)	(57)	(122)	(215)

Accounting Policies

1. The principal accounting policies of Cartiers which have been applied in the foregoing summaries consistently throughout the period under review are:—

(a) Stocks are valued at the lower of cost and net realisable value.

(b) Depreciation is calculated on cost or valuation on a straight line basis at rates estimated to write down the value of the assets to nil over their expected useful lives. The rates generally used are:—
Freehold land and buildings—nil;
Leasehold properties—equal annual instalments over the period of the lease;
Plant and equipment—at rates varying from 7 per cent. to $33\frac{1}{3}$ per cent. per annum; and
Motor vehicles—20 per cent. per annum.

(c) No provision is made for deferred tax, as the Directors expect that no corporation tax will, under existing legislation, be payable for at least the next two accounting periods, due to the incidence of stock appreciation relief and capital allowances.

(d) To the extent that stores which are developed on freehold property are financed by specific loans, the interest relating to periods prior to the opening of the stores is capitalised.

Notes on Profit and Loss Accounts

2. Sales represent the cash value of goods sold to third parties excluding value added tax.

3. Cost of sales includes:—

	Accounting Period ended in December, 1973	December, 1974	December, 1975	January, 1977	January, 1978
	£'000	£'000	£'000	£'000	£'000
Depreciation:					
Leasehold properties	1	1	4	5	8
Plant, equipment and motor vehicles	14	29	56	93	123
	15	30	60	98	131
Interest Payable:					
Bank loans and loans repayable in less than 5 years	7	11	8	35	82
Other loans	3	8	5	41	—
	10	19	13	76	82
Less: Interest capitalised	—	—	—	12	21
	10	19	13	64	61

Directors' emoluments for the 52 weeks ended 28th January, 1978 were £63,744.

4. Taxation comprises:—

	Accounting Period ended in January, 1977	January, 1978
	£'000	£'000
Advance corporation tax on dividends paid	14	18
Corporation tax on interest received	—	6
	14	24

Cartiers has suffered no other charge to corporation tax due to the incidence of stock appreciation relief and capital allowances.

5. Extraordinary items comprise the following:—

	Accounting Period ended in December, 1973	December, 1974	December, 1975	January, 1977	January, 1978
	£'000	£'000	£'000	£'000	£'000
Goodwill written off	4	—	—	—	—
Loss on sales of properties	—	—	29	22	1
Professional fees in connection with share placing and property planning enquiries	—	—	—	30	2
	4	—	29	52	3

6. The Directors have waived their entitlement to both dividends declared by Cartiers in respect of the periods covered by this report. Details of these dividends are as follows:—

	Accounting Period ended in January, 1977	January, 1978
	£'000	£'000
Dividend declared—2.6p per share	150	—
—1.6197p per share	—	194
Less: Amount waived	(123)	(158)
Dividend	27	36

7. The calculation of adjusted earnings per share is based on profit after taxation and before extraordinary items and on 11,000,000 shares in issue immediately prior to the Offer for Sale.

Notes on Balance Sheets

8. A summary of Cartiers' fixed assets at 28th January, 1978 is as follows:—

	Cost or Valuation	Depreciation	Book Value
	£'000	£'000	£'000
Freehold properties	1,869	—	1,869
Leasehold properties	187	8	179
Plant, equipment and motor vehicles	1,428	279	1,149
	3,484	287	3,197

Properties are stated at cost less depreciation with the exception of a freehold property at Rochester which is included on the basis of a professional valuation undertaken in February 1973. Plant, equipment and motor vehicles are stated throughout at cost less depreciation.

9. The investment in associated company represents a loan to and 49% of the issued share capital of Direct Refrigeration Services Limited, a company incorporated in the U.K. Cartiers' share of the profits of this company is not material.

10. The potential amount of deferred tax at 28th January, 1978 is comprised as follows:—

	£'000
Stock appreciation relief	985
Accelerated capital allowances	504
Other timing differences	(16)
	1,473
Less: Taxation losses carried forward	(418)
Advance corporation tax	(33)
	1,022

11. Short term borrowings and loans are secured by fixed charges and at 28th January, 1978 comprise bank loans repayable as follows:—

	£'000
Lombard North Central Limited—1978/82 bearing interest at 8¾% per annum fixed on the initial loan of £30,000	21
Barclays Merchant Bank Limited—1978/83 bearing interest at 2½% per annum above LIBOR	708
Robert Fleming & Co. Limited—1978/83 bearing interest at 2½% per annum over the base rate of Barclays Bank Limited	180
	909
Less: Amount payable within 12 months	(181)
	728

12. Movements in Cartiers' ordinary share capital between the date of incorporation and 28th January, 1978 have been as follows:—

	Authorised Share Capital £	Issues: Share Capital £	Number of Shares (fully paid)	Bonus Terms
8th September, 1971	5,000	5,000	5,000	—
4th October, 1973	95,000	30,000	30,000	6:1
31st December, 1973	—	15,000	15,000	3:7
29th March, 1974	—	25,000	25,000	1:2
11th September, 1974	—	25,000	25,000	1:3
21st March, 1975	100,000	100,000	100,000	1:1
19th December, 1975	300,000	300,000	300,000	3:2
8th June, 1976 (Conversion to 10p shares)	—	—	4,500,000	—
8th June, 1976	500,000	—	—	—
16th October, 1976	—	100,000	1,000,000	1:5
28th January, 1978	1,000,000	600,000	6,000,000	1:1
	2,000,000	1,200,000	12,000,000	

13. Movements on undistributed profits have been as follows:—

	Accounting Period ended in December, 1973	December, 1974	December, 1975	January, 1977	January, 1978
	£'000	£'000	£'000	£'000	£'000
Balance at beginning of period	17	15	95	5	416
Retained profits	43	130	310	511	765
Bonus shares issued	(45)	(50)	(400)	(100)	(600)
Balance at end of period	15	95	5	416	581

14. Capital expenditure authorised and contracted for at 28th January, 1978 by Cartiers amounted to £400,000.

Yours faithfully,
PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

SCHEDULE OF FREEHOLD PREMISES

Property and Situation	Site Area ACRES	Book Value at 30.5.78 or subsequent date of acquisition £'000	Valuation 30.5.78* £'000
Stores presently trading			
Bouverie Square, Folkestone (Town Centre)	0.78	349	499
Hoxley Corner, Sidcup (Out of Town)	1.69	380	620
Temple Street, Strood (Town Centre)	1.95	799	1,100
North Lane, Faversham (Town Centre)	0.80	200	300
		1,728	2,519
Sites for future stores			
Land at Farleigh Hill, Tovil, Maidstone (Out of Town)	1.80	128	140
Northdown Road, Cliftonville, Thanet (Town Centre)—			
269/279	0.35	72	—†
281 ††	0.53	174	156
Station Road, Portslade, Brighton (Town Centre)	1.06	273	—†
Brassey Avenue, Hampden Park, Eastbourne (Town Centre)	1.55	206	—†
Other premises			
Burma Buildings, Church Street, Rochester (Head office and warehouse)	0.38	74	80
3 Church Street, Rochester (Residential for staff use)	0.02	8	—†

*Open Market Valuation by Donaldson & Sons, Chartered Surveyors.
†Not included in the Valuation.
††Under contract to be completed on or before 21st November, 1978.

SCHEDULE OF LEASEHOLD PREMISES

Property and Situation	Site Area ACRES	Term of Lease	Current Annual Rental £	Reviews
Stores presently trading				
Brookfield Road, Ashford (Out of Town) *(note 1)*	3.75	35 years from 25.12.78	70,000	5 years
Units 1a-d, Broad Oak Trading Estate, Canterbury *(note 2)*	1.07	35 years from 24.6.74	18,200	5 years
Unit 15, Haine Trading Estate, Ramsgate, Thanet	1.86	35 years from 15.2.77	7,725	7 years
79/81 High Street, West Malling (Town Centre)	0.36	25 years from 25.3.75	21,850 *(note 3)*	5 years
14 Snowdon Parade, Vinters Park, Maidstone (Town Centre)	0.06	21 years from 24.6.71	1,350 *(note 4)*	7 years
Gadby Road, Sittingbourne (Town Centre)	0.42	20 years from 22.2.74 and 28.2.74	8,500	5 years
Mortimer Street, Herne Bay (Town Centre)	0.09			
143		15 years, 2 months, from 1.8.75	4,500	5 years
145		35 years less 10 days from 25.2.71	2,000 *(note 4)*	7 years
147		42 years from 25.3.64	800 *(note 4)*	end of 14th & 28th years
Site for future store				
Space Unit 1, Shops 1 & 2, Rainham District Shopping Centre (Town Centre)	0.30		*(note 5)*	
Warehouses				
F1 and F2, Trinity Trading Estate, Sittingbourne (Trading Estate)	0.33	35 years from 23.3.75	12,500	5 years
Unit G, Park Farm Estate, Folkestone (Trading Estate)—on market vacant	0.48	25 years from 2.4.73	7,750	5 years

Notes

1. Arrangements are in hand for the Lease to be granted.
2. Lease on Unit 1a is not yet completed.
3. Current annual rental will increase by £2,080 as from the date of completion of car park.
4. Subject to review.
5. Held under an Agreement for Underlease which when taken up will run for 25 years from a date to be determined at a commencing rental of £51,000 subject to review every 5 years.

STATUTORY AND GENERAL INFORMATION

1. SHARE CAPITAL

On 5th July, 1976, being the date two years preceding the date of this Offer for Sale, the authorised share capital of Cartiers Superfoods Limited ("the Company") was £1,000,000 divided into 10,000,000 Ordinary Shares of 10p each of which 5,000,000 Ordinary Shares had been issued and were fully paid up. Since that date there have been the following changes in the authorised and issued share capital of the Company:—

(i) On 16th October, 1976 1,000,000 Ordinary Shares of 10p each were allotted credited as fully paid by way of capitalisation of undistributed profits in the proportion of one new Ordinary Share for every five Ordinary Shares previously held;

(ii) On 28th January, 1978 the authorised share capital of the Company was increased to £2,000,000 by the creation of 10,000,000 Ordinary Shares of 10p each and 6,000,000 new Ordinary Shares were allotted credited as fully paid by way of capitalisation of undistributed profits in the proportion of one new Ordinary Share for each Ordinary Share previously held.

Accordingly, immediately prior to 5th July, 1978, the authorised share capital of the Company was £2,000,000 divided into 20,000,000 Ordinary Shares of 10p each of which 12,000,000 Ordinary Shares were issued and fully paid. By or pursuant to resolutions passed at an Extraordinary General Meeting of the Company on 5th July, 1978 (a) the share capital of the Company was consolidated and divided into 10,000,000 shares of 20p each; (b) the authorised share capital of the Company was increased to £4,000,000 by the creation of 10,000,000 Ordinary Shares of 20p each, (c) £1,000,000, being part of the sum standing to the credit of the Company's reserves, was capitalised and applied in paying up 5,000,000 Ordinary Shares of 20p each which were allotted credited as fully paid to the Ordinary Shareholders in proportion to their holdings and (d) new Articles of Association were adopted and the Company became a public company.

2. ARTICLES OF ASSOCIATION

The Articles of Association of the Company contain provisions (*inter alia*) to the following effect:—

(i) *Votes of Members*
Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles, on a show of hands every member, who being an individual is present in person or being a corporation is present by a duly authorised representative, shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every Ordinary Share of which he is the holder.

(ii) *Directors*
Save as provided in the Articles, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and in such case each of the Directors concerned (if not debarred from voting as otherwise provided in the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

The provisions of Section 185 of the Companies Act 1948 relating to retirement of Directors on attaining the age of seventy apply to the Company.

A Director is not required to have a holding of shares in the Company.

(iii) *Borrowing Powers*
Subject as provided in the Articles, the Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Directors shall restrict the borrowings of the Company so as to secure that the aggregate amount for the time being remaining outstanding of all money borrowed by the Company shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to four times the aggregate of the paid up share capital of the Company and its reserves. If the Company has any subsidiaries in the future the limit will apply to the aggregate of the borrowings of the Company and its subsidiaries on the basis of the aggregate of the paid up share capital of the Company and the consolidated reserves.

3. DIRECTORS' AND OTHER INTERESTS

The interests of the Directors in the share capital of the Company immediately after the Offer for Sale as they will appear in the register maintained under the provisions of the Companies Acts (save in respect of any shares which may be allocated to any of the Directors other than those who are Vendors under this Offer for Sale) will be as follows:—

	Ordinary Shares of 20p each
L. E. Cartier	6,819,067
T. R. Leigh	662,000*
M. J. Skeels	55,882
A. Mountford	329,648
R. J. Davies	89,899
R. E. Culverhouse	83,500
L. P. Cartier	36,667
M. A. Skeels	36,632
P. A. Eve	—

*Includes 176,000 shares in which T. R. Leigh has no beneficial interest. Apart from these shares all the above interests are beneficial.

Save as disclosed herein no Director of the Company has, or has had, within two years before the date hereof, any interest in any assets which have been, or which are proposed to be, acquired, or disposed of by, or leased to the Company and no contract or arrangement subsists at the date hereof in which a Director of the Company is materially interested and which is significant in relation to the business of the Company.

Crossfriars Trust Limited will be interested immediately after the Offer for Sale in 934,000 Ordinary Shares of 20p each. Apart from this holding and the holding set out above, the Directors are not aware of any shareholding which will represent more than 5 per cent. of the issued share capital of the Company, as increased as a result of the Offer for Sale.

Mr. N. J. H. Bennett, a partner in Boys & Maughan who will receive a fee in connection with this Offer for Sale, holds 9,167 Shares in the Company.

4. OFFER FOR SALE CONTRACT

Under Contract (xvi) below, subject, *inter alia*, to the Council of The Stock Exchange admitting the Ordinary Shares of the Company to the Official List not later than 21st July, 1978, (i) Robert Fleming & Co. Limited ("Robert Fleming") has agreed to subscribe at a price of 54.3125p per share for 1,930,000 Ordinary Shares of 20p each of the Company, (ii) L. E. Cartier, Crossfriars Trust Limited, R. J. Davies, T. R. Leigh, A. Mountford, M. A. Skeels, M. J. Skeels, E. W. Swain and A. A. Taylor ("the Vendors") have together agreed to sell to Robert Fleming at a price of 54.3125p per share 1,280,000 Ordinary Shares of 20p each of the Company and Robert Fleming has agreed to purchase such shares and (iii) Robert Fleming has agreed to offer for sale to the public at a price of 55p per share the 3,210,000 Ordinary Shares of 20p each of the Company which it has so subscribed and purchased. Under this contract Robert Fleming will pay underwriting commissions of 1½ per cent. and a fee to the Brokers, the Company will pay a fee to Robert Fleming (out of which Robert Fleming will pay its own legal expenses) and the Company will pay all other expenses of or incidental to this Offer for Sale, estimated at £150,000 inclusive of capital duty but exclusive of V.A.T.

APPOINTMENTS

Senior change at Amey Roadstone

Mr. Charles Spence, who has been appointed chief executive of AMEY ROADSTONE CORPORATION, retains the post of deputy chairman. Mr. Rudolph Agnew, deputy group chief executive of ARC's parent company, Consolidated Gold Fields, continues as chairman.

★

Mr. J. Banks, chairman of BICC Research and Engineering, and Mr. D. A. Holland, managing director of Balfour Beatty, have been appointed to the board of BICC.

★

Mr. A. D. Garrett, vice-president—international of the Procter and Gamble Company of Cincinnati, has returned from leave of absence and resumed the position of managing director of PROCTER AND GAMBLE, Newcastle upon Tyne.

★

Following the recent establishment of the group corporate centre at 11-12, Hanover Square, London W1, GRAND METROPOLITAN has announced the following appointments: Mr. D. J. Dickinson, formerly joint secretary, is made secretary. Mr. N. A. Fowler becomes deputy finance director to Mr. C. J. Smith and relinquishes the position of joint secretary. The corporate centre finance department will be divided into three sections, accounts, planning and treasury. Accounts become the responsibility of Mr. L. W. Pilgrim, who will also continue to be secretary of Watney Mann and Truman Holdings. Central planning will be the responsibility of Mr. P. B. J. Sargent, who joined the group recently from Barclays Bank. The treasury section will continue under the control of Mr. P. A. Bernard.

★

Following the appointment of Mr. R. W. Phillis as managing director of SUN PRINTERS (part of British Printing Corporation), last November, Mr. Alan Pankhurst has taken over from Mr. Phillis as personnel director. Mr. Pankhurst has been with the company for five years as personnel and industrial relations manager. Mr. John Orford has joined the company as pre-press director, reporting directly to Mr. Gerald Mowbray, works director. Mr. Orford was latterly general manager of Worcester Web Offset.

★

Mr. R. J. Webster has been appointed a director of ALEXANDER HOWDEN INSURANCE BROKERS.

★

CARRINGTON VIYELLA confirms that Mr. Leonard Kaye has resigned from the Board. Dr. John Cameron succeeds Mr. Kaye as head of the garment division.

★

Mr. Jose Carlos Madeira Serrano has resigned as deputy managing director of the EUROPEAN BRAZILIAN BANK and will be taking up a new position, on loan from Banco do Brasil SA, as financial director of Siderurgia Brasileira SA—SIDERBRAS. Mr. Serrano will be succeeded as deputy managing director of the European Brazilian Bank by Mr. Helmut Wimmer, presently general manager of Banco do Brasil SA, Hamburg Branch, and formerly deputy general manager of Banco do Brasil SA, London branch.

★

Mr. William P. Sutton, vice president, has been appointed head of the CITIBANK national banking group in the UK. He was previously in charge of operations in Ireland, and has served also with the bank in Brussels, Antwerp and New York.

★

Mr. Harry Robinson has been appointed financial director of Walter Lawrence Trading, Walter Lawrence Retail, Sheffield Steel Products, and Hiram Wild, all subsidiaries of the WALTER LAWRENCE GROUP. Mr. Robinson joined Walter Lawrence Trading in 1976 as secretary.

★

Mr. David Thorn has been appointed general manager (finance) to the TRUSTEE SAVINGS BANKS CENTRAL BOARD. This appointment completes the reorganisation of the divisional structure of the central management into three main areas, banking operations, under Mr. L. Bakewell, personnel, under Mr. J. H. Philipot, and finance, under Mr. Thorn.

★

Mr. David J. Dibble, who has been general sales manager of DOWTY BOULTON PAUL since January 1977, has been appointed sales director.

★

Mr. Donald S. Grimwood will be joining BUCKMASTER AND MOORE on July 17 as investment advisor, to promote its equity and gilt-edge business in Europe.

★

Mr. David Wild, previously director and general manager, has been appointed managing director of BIBBY AND BARON CARTONS, part of Low and Bonar UK packaging division. Mr. Eddie Perkins, director and commercial manager, now also takes over the responsibility of general manager.

★

Mr. A. D. H. Self, a director of MAY AND BAKER, and general manager of the pharmaceutical division, has retired after 41 years' service. Mr. J. McAinsh takes over as general manager of the pharmaceutical division and has been elected to the Board of May and Baker.

★

Mr. R. A. Spencer has been appointed chairman of the trustees of the AIRWAYS PENSION SCHEME on the retirement of Mr. Derek Glover. Mr. C. R. Moss succeeds Mr. Spencer as deputy-chairman.

★

Mr. William L. Jackson has been appointed president of the North America region by WILKINSON MATCH and he will be based at its U.S. headquarters in Berkeley Heights, New Jersey. Mr. Jackson spent 11 years with Chesebrough-Pond's, and before that worked for General Foods on the marketing side.

ENERGY REVIEW: OPEC OIL SUPPLIES — BY RAY DAFTER

A minefield of confusing forecasts

IT SEEMS to have become a foregone conclusion in the oil industry that the Organisation of Petroleum Exporting Countries will impose at least a modest price rise in the next six months.

It is not that the oil market is making it easier for the producers to raise prices. Far from it. The general glut of crude supplies, caused by the continuing economic recession, energy conservation efforts and the increasing flow of oil from new producing areas, looks like being with us for some time. Latest figures show that OPEC's crude oil production in May was 28.4m barrels a day, some 2.7m b/d down on the average for last year and some 4.5m b/d below the peak production level of 1977.

According to Sheikh Ahmed Zaki Yamani, the Saudi Arabian Oil Minister, there is currently an excess of oil production of some 3.7m barrels a day — exactly twice Britain's present rate of oil consumption!

But even Sheikh Yamani, the chief advocate of pricing restraint, is finding it difficult to withstand the pressure for price rises from within OPEC. The reason is clear. Worldwide inflation and the falling value of the dollar have been persistently eroding the producers' purchasing power. Sheikh Yamani has pointed out that the current price of \$12.70 per barrel of Arabian light crude—the marker crude oil—is now worth only \$7.70 in terms of 1973 dollars.

There is no hope of OPEC regaining all of this lost ground within the next couple of years. The economies of the industrialised nations, and thus the oil markets, could not stand it. But OPEC clearly want to make a start. Paradoxically this is almost being encouraged by some governments and oil companies which would prefer to see the beginning of a programme of modest, but steady price rises rather than face another earth-shaking major review of oil values in the 1980s. Such a move was proposed by Sheikh Yamani at OPEC's Geneva meeting last month when he gave consumers notice of a "small dose" for 1979. He was thinking in terms of a 2 per cent rise on January 1 being enough. Other OPEC members will certainly press for more and it is quite likely that an increase in the range of 5 per cent to 10 per cent will be agreed.

It is possible that OPEC will not wait until January 1. There is growing speculation in the oil industry that a "high level committee of experts" set up to look at the impact of the depreciating dollar will recommend an earlier price rise.

The committee, chaired by Sheikh Ali Khalifa al Sabah, the Kuwaiti Oil Minister, meets in London next week when it is expected to formulate ways of compensating producers for the dollar's decline. This decline alone is reckoned to have cost OPEC some 10 per cent in its purchasing power since December, 1976. In some ways the committee can be seen as a face-saving exercise to bridge the gap within OPEC between those countries urging an immediate price rise and those (principally Saudi Arabia) preaching restraint. That said, Sheikh Ali Khalifa does have power to call an extraordinary OPEC conference earlier than the scheduled December 16 meeting if he so wishes.

Crude price

OPEC recognises, however, that it may have to wait until the 1980s before it can take full control of the pricing mechanism again and move much nearer to restoring its lost purchasing power. By about 1985, the marker crude price could conceivably be between \$20 and \$25 a barrel, a prospect which would reinforce the need for a series of gradual rises rather than an abrupt and disruptive price re-adjustment as seen in 1973.

However, such a price level would largely depend on a tightening of oil supplies during the next five to 10 years. And that prospect, widely accepted in recent years, is beginning to be challenged more forcibly.

Indeed, a minefield of forecasts is being laid by a host of experts and authorities. Much of the information is conflicting and thus confusing to those studying the medium-term energy picture.

Some people continue to adhere to the view, favoured by OPEC, that non-OPEC sources will be unable to meet oil demand within the next decade and that consumers will have to rely on producers like Saudi Arabia opening all their flow valves.

The International Energy Agency issued a warning last month that its member countries were likely to be more dependent on imported oil by 1985 than had previously been calculated (in February 1977). Possible total demand for oil from OPEC could rise to between 42m and 48m barrels a day in 1985, although it was thought that the Organisation's members would achieve a production level of no more than 36m to 38m b/d. This left a "demand gap" of 4m to 12m b/d to be met from other energy sources and conservation measures.

Mr. Christopher Laidlaw, a managing director of British Petroleum, mentioned IEA's projections in a recent paper presented to the European Petroleum and Gas Conference in Amsterdam. "OPEC current intentions are not altogether clear but if most regrettably they were to limit supplies to 26m b/d, as was recenly suggested but then denied, the problem of adequate availability could hit us much sooner."

BP's view, as presented by Mr. Laidlaw, suggests that a 3 per cent annual growth rate in oil demand would mean that by 1980 consumers would have to return to the traditional sources in the Middle East for balancing world oil supplies. By 1988 there could be a theoretical shortfall of 5m to 10m b/d.

Exxon, in its latest World Energy Outlook report, foresees a possible disturbance of the balance between supply and demand taking place late in the 1980s. But its report is also revealing for another reason. Exxon concedes that its latest growth forecasts for oil demand are much lower than those published in 1975 which themselves were well down on the figures published in 1973. Indeed the corporation's latest forecast for non-Communist world energy demand in 1990 is about 9m barrels a day of oil lower than the figure published in 1975.

Lower economic growth and greater energy conservation measures are two reasons why forecasters have been trimming their demand figures. But there is a danger here—spotted by the IEA. Some of the more optimistic forecasters are assuming that conservation efforts will be maintained whereas there is a good deal of evidence to suggest that many energy-saving measures can only be taken once—making continuous improvement more difficult to achieve.

Even so, the Petroleum Industry Research Foundation in the U.S. sees no reason why there should be a physical shortage of oil in the next 15 years, unless OPEC deliberately restricts output (a possibility that cannot be ruled out in view of the member states' desire to push up prices). OPEC's influence might take a knock, however, if the Foundation is correct in another assumption. Mr. John Lichblau, the Foundation's director, believes that by 1990 OPEC's share of world oil supplies could fall to 50 per cent. as against the two-thirds share recorded in recent years. This forecast has been questioned by some analysts within the oil industry because it assumes that countries like Mexico will continue rapid increases in production and that, in the North Sea, the UK and Norway will allow oil to run almost freely without serious conservation and depletion policies.

Professor Peter Odell, head of the Economic and Social Geography Institute at Erasmus University, Rotterdam, and adviser to the UK's Department of Energy, is even more optimistic about supplies. He said this week that production of oil could continue to increase for almost another 50 years. By the year 2025 the oil industry might be about three and a half times its present size, he said—taking the usual side swipe at oil companies like British Petroleum for being too pessimistic.

Much of the oil that Professor Odell foresees being produced lies in unexplored, and thus unexploited sedimentary basins in Third World countries—countries, he says, in which oil companies are "feared" and from which they are often excluded. And it is true there are many areas of the world where companies have been reticent to explore, either because of political uncertainties or because it would need a much higher oil price to justify novel exploration and production technology.

Joint agency

As a means of opening up these new potential oil producing regions, Professor Odell is advocating the establishment of a new international organisation. In a book* written in conjunction with Dr. Luis Vallenilla, a leading Venezuelan businessman, Professor Odell proposes that OPEC and nations in the Organisation for Economic Co-operation and Development (OECD) should set up a joint agency, funded to the tune of \$16bn a year, to meet the trade deficits of poorer oil-importing countries and to help finance the search for new energy resources, including crude oil. The authors claim their proposal is a "plea for sanity, reasonableness, rationality and, most of all, for enlightened self-interest in an increasingly dangerous world."

The idea of a new organisation to bridge the gap between OPEC and the developed oil-consuming nations is not new. The UK Energy Department, in its recent international energy paper, called for a new international institution, preferably under the auspices of the UN, to consider energy problems on a global basis.

OPEC itself has just established a high-powered strategies committee which might also encourage the formation of a bridge between the main oil exporters and consumers. Mr. Ali Jaidah, Secretary General of OPEC, said the formation of the committee might prove to be an historic turning point for the organisation. "We can only express our hope and confidence that the committee will find the necessary common ground for an effective OPEC strategy beyond the rather hazy present situation characterised by the so-called oil glut, he writes in last month's issues of OPEC Review.

The time is ripe for greater co-operation between OPEC and OECD nations, not only to break down some of the barriers that have caused unrest and suspicion on either side but most importantly to eliminate some of the uncertainties in the oil supply and demand balance.

*The Pressure of Oil: A Strategy for Economic Revival: by Peter Odell and Luis Vallenilla: Harper and Row Publishers, 28 Tavistock Street, London WC2E 7PN: £5.95.

NON-COMMUNIST ENERGY SUPPLY AND DEMAND IN 1985 and the INFLUENCE OF OPEC OIL

(measured in millions of tonnes of oil)

	Dept. of Energy (central case)	OECD²	CIA¹	WAES* (low growth case)
Assumed economic growth in OECD countries	4.3%	4.8%	4.2%³	3.1%
Non-Communist World				
Energy consumption	5,935	6,128		5,475
Energy supply (excluding OPEC oil)	4,356	4,356		3,795
Net oil imports	1,579	1,772	1,925-2,125	1,680
Net Communist oil imports	−40	−40	175-225	—
OPEC oil exports	1,539	1,732	2,100-2,350	1,680
OPEC oil consumption	208	208	250-200	140
Residual and increase in stocks	42	25	—	—
DEMAND FOR OPEC OIL	1,789	1,965	2,350-2,550	1,820
(or, in million barrels per day)	35.8	39.3	47.0-51.0	36.4

* Workshop on Alternative Energy Strategies: Energy Global Prospects 1985-2000
1—Central Intelligence Agency report, International Energy Situation, April 1977.
2—OECD World Energy Outlook, January 1977, reference case.
3—Excludes Australia and New Zealand.

Source: Dept. of Energy; Energy Commission Paper No. 13; "International Energy Questions"

WORLD STOCK MARKETS

Fresh Wall St. fall partly erased by close

INVESTMENT DOLLAR PREMIUM

$2.60 to £1—112½% (112¾%)
Effective $1.8675—52¾% (53%)

AS INVESTORS awaited reports on the U.S. money supply and wholesale prices, Wall Street, after Wednesday's weakness on gloomy economic news, was inclined to drift lower yesterday before staging a partial recovery.

The Dow Jones Industrial Average, down 7 points the previous day, fell further to 800.94 before rallying to 807.17 for an improvement on the day of 1.38. The NYSE All Common Index was finally unaltered at $53.00, after declining to $52.84, although losses still held an edge over gains at the close of 855 to 596. Trading volume amounted to 24.97m shares, up from Wednesday's figure of 23.73m.

Brokers said there was concern that the rapidly expanding money supply will cause the Federal Reserve to tighten credit further. After the stock market close, the Fed reported that the basic M-1 money supply figure rose $700m in the latest reporting week, while the broader M-2 measure jumped $2.5bn.

The report on June wholesale prices and unemployment figures is due today.

Fred Kalkstein, of Elkins Stroud Suplee, said "the intermediate rally is now history," adding that stocks are now "in the second leg of a bear market."

However, Robert Ritter, of L. F. Rothschild Unterberg Towbin, believes that the recent market decline is a "reaction in a market that is basically up."

He said profit-taking turned to fear "generated by accelerating interest rates, inflation figures and problems between Congress and the White House over energy legislation and tax legislation."

Volume leader Union Carbide lost ⅛ to $36⅝, while Bally Manufacturing receded 1¾ to $38¼, also in an active turnover.

Caesars World declined 1¾ to $25¼. Playboy 1¼ to $24¼ and Harrah's $1 to $26⅛.

OKC gained 1⅜ to $20⅜—Saudi businessman Ghaith Pharaon plans to tender for up to 930,000 shares of OKC at $21 each.

Publicker Industries moved ahead 1¼ to $8¼ — the company announced that associates of shareholder William Rosenwald held talks with principal stockholders "to exchange ideas on how to foster the best interests of the company."

Savin Business Machines picked up ⅞ to $20 on reporting sharply higher fourth-quarter and fiscal year net earnings.

Kaufman and Broad slipped ⅜ to $7¼ — it said that it expects "little or no financial impact" from a consent agreement with the Federal Trade Commission protecting past purchasers.

Texas Oil and Gas lost 1¼ to $28⅜, while Tandy, despite reporting an 18 per cent rise in June sales, slipped 1⅛ to $20½. Prime Computer shed $2 to $25¼, but Smithkline advanced $4 to $85¼.

THE AMERICAN SE Market Value Index managed an improvement of 0.27 to 145.17, although declines led advances by 382 to 218. Volume came to 3.15m shares (2.84m).

Resorts International "A," the leading active, reacted 4¼ to $81¼ and the "B" came back 2¼ to $87¼, both after recent strength.

Tokyo

Share prices rose over a wide front in another active business, although profit-taking left the market below the day's best. The Nikkei-Dow Jones Average finished 11.79 higher at 5,588.13, after reaching a post-war high of 5,594.46 at mid-afternoon, while volume matched Wednesday's figure of 400m shares. The Tokyo Stock Exchange index was 1.28 firmer at 421.04.

Buying interest revived in export-orientated Electricals, Vehicles and Cameras on market expectations that the yen will not rise above a Y200 to the dollar exchange rate for the time being.

Matsushita Electric advanced Y16 to Y751, Victor of Japan Y90 to Y1,300, Toyota Motor Y9 to Y915 and Olympus Y21 to Y700. Sony, however, shed Y10 to Y1,690, due partly to the overnight Wall Street weakness.

Motor Components gained ground, helped by a 16 per cent rise in domestic vehicle registrations in June, while Pharmaceuticals were spurred on by active buying by institutional investors. Recently-selected consumer-related and Public-Works issues, however, closed mixed after profit-taking.

Toho rose Y110 to Y7,460. K. Hattori Y100 to Y1,229, Nippon Chemiphar Y80 to Y1,270, Mochida Pharmaceutical Y60 to Y1,700 and Matsushita Reiki Y50 to Y1,050.

Against the trend, Nippon Telecommunications Construction declined Y60 to Y3,000, Japan Security Patrol Y40 to Y2,340, Shindengen Electric Y33 to Y595, Takashimaya Y32 to Y410 and Maruko Y26 to Y269.

Hong Kong

The market advance continued in extremely active two-way trading punctuated by profit-taking, with interest again centred on the leaders.

Reports that Chinese Communist banks here have received permission from their head offices in Peking to buy and sell stocks and bonds on the Hong Kong markets substantially added to the bullish sentiment, and the Hang Seng index rose 7.95 further to 582.67, although the close was below the day's high.

Hong Kong Bank added 60 cents at HK$19.30 and Hong Kong Land 10 cents at HK$10.50, while Hong Kong Wharf moved ahead HK$1.00 to HK$24.80.

Germany

Following Wednesday's technical reaction, stocks improved across a broad front yesterday in lively trading, the Commerzbank index advancing 4.6 to 794.6.

Brokers said the market rise took them by surprise, and noted that strong demand developed for the hitherto weak Chemical shares, BASF gaining DM 1.60, Bayer DM 1.90 and Hoescht DM 0.60.

Among Motors, Volkswagen added DM 4.80 and BMW DM 2, while Stores had Neckerman up DM 5. Siemens put on DM 2.80 in Electricals, while elsewhere, Deutsche Bank firmed DM 2.50, Krupp DM 3 and VEBA DM 2.90.

Paris

A preponderance of gains occurred yesterday in more active trading.

Brokers said that investors had been encouraged by the apparent warming of relations between French President Giscard D'Estaing and Socialist Party leader Francois Mitterand during a private meeting on Wednesday at the invitation of the Head of State. Also boosting sentiment was a lowering of the Call Money rate from 7⅜ to 7¼ per cent, a 29-months' low.

However, Foods were mainly weaker, while Mechanicals, Electricals and Chemicals finished mixed.

Gaining over 4 per cent on the day were Locabail, Sade, Beghin, TRT, Kali, Babcock, Borel, Presses de La Cite, Marine-Wendel, CFP, L'Oreal, Skis Rossignol and Prenatal, the last-mentioned being marked up by 17 per cent.

Among declining issues were Locindus, Cie du Nord, Casino, Saunier-Duval, Telephones Ericsson, Nobel-Bozel and BIC.

Australia

Speculation about a handful of stocks featured in an otherwise lifeless session yesterday, when Minings, where changed, were easier for choice but Industrials and Oils displayed a firm bias.

Rumours of a fresh take-over offer for Coal and Allied left the shares 20 cents higher at A$4.30, while Howard Smith, which owns some 30 per cent of the former's issued capital, rose 10 cents to A$3.90.

CRA, unsuccessful in its joint bid with Howard Smith for Coal and Allied early this year, shed 2 cents to A$2.46, and in some quarters there was speculation that CRA might make a fresh take-over attempt. BHP, unaltered at A$7.22, has also been mentioned as a possible suitor for the Coal company.

Elsewhere in Coals, Utah eased 3 cents more to A$3.95, while Thiess, up 11 cents the previous day on hopes that it can take up some of the contract business which the strike-bound Utah might not be able to complete came back 6 cents to A$2.80.

With the Japanese steel mills said to be successfully pursuing divide and conquer tractics to gain price advantages, Hammersley declined another 10 cents to A$2.10.

Canada

Shares picked up after an initial fresh decline to finish with a firm bias on balance after an active business, partly reflecting a strong recovery in Oil issues. The Toronto Composite Index ended 3.6 harder at 1,121.9, while Oils and Gas advanced 27.2 to 1,428.3 on index.

Ashland Oil Canada jumped C$3 to C$30—Kaiser Resources, unchanged at C$14⅞, said it plans to buy Ashland Oil's 83 per cent interest in its Ashland Oil Canada subsidiary.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM50 denom. unless otherwise stated, yields based on net dividends plus tax. ♥ Ptas 500 denom. unless otherwise stated. ♣ Kr 100 denom. unless otherwise stated. ◇ Frs 500 denom. and Bearer shares unless otherwise stated. ¶ Yen 50 denom. unless otherwise stated. § Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs, including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. ‡ Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. △ Interim since increased.

NEW YORK

Stock	July 6	July 5
[illegible]	[illegible]	[illegible]

† Bid. ‡ Asked. § Traded. ¶ New stock

CANADA

Stock	July 6	July 5
[illegible]	[illegible]	[illegible]

Indices

NEW YORK—DOW JONES

	July 6	July 5	July 3	June 30	June 29	June 28	1978 High	1978 Low	Since compilat'n High	Since compilat'n Low
Industrial	807.17	805.79	812.89	818.95	821.64	819.91	866.61	742.12	1051.70	41.22
H'me Bo'ds	87.20	87.20	87.22	87.34	87.60	87.55	90.88	87.20	—	—
Transport	216.50	216.50	219.52	219.86	219.32	218.69	[illegible]	[illegible]	279.88	13.23
Utilities	105.07	105.28	105.59	104.94	104.80	104.65	110.98	102.84	163.32	10.58
Trading vol. 000's	24,970	23,730	11,560	18,100	21,660	25,280	—	—	—	—

* Basis of index changed from August 24

	June 30	June 23	June 16	Year ago (approx.)
Ind. div. yield %	5.71	5.68	5.68	4.83

STANDARD AND POORS

	July 6	July 5	July 3	June 30	June 29	June 28	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
‡Industrials	104.06	104.02	104.97	105.53	105.57	105.40	110.99	95.52	134.64	3.62
§Composite	94.52	94.27	95.09	95.53	95.57	95.40	100.32	86.90	125.85	4.40

	July 5	June 28	June 21	Year ago (approx.)
Ind. div. yield %	5.18	5.11	5.07	4.42
Ind. P/E Ratio	8.95	9.04	9.11	10.14
Long Govt. Bond yield	8.62	8.57	8.52	7.60

N.Y.S.E. ALL COMMON

July 6	July 5	July 3	June 30	1978 High	1978 Low
53.00	53.00	53.46	53.66	56.20	48.37

Rises and Falls	July 6	July 5	July 3
Issues traded	1,886	1,864	1,786
Rises	595	569	563
Falls	855	1,119	752
Unchanged	455	376	471
New Highs	15	19	10
New Lows	45	39	26

MONTREAL

	July 6	July 5	July 4	July 3	1978 High	1978 Low
Industrial	180.12	179.51	179.52	(c)	185.06	162.50
Combined	189.18	188.75	189.11	(c)	194.00	170.62

TORONTO Composite	1121.9	1118.5	1,125.6	(c)	1148.0	[illegible]

JOHANNESBURG						
Gold	222.5	222.6	(u)	215.8	226.4	183.6
Industrial	241.3	240.5	(u)	236.2	[illegible]	194.9

	July 6	Previous	1978 High	1978 Low
Australia	[illegible]	[illegible]	501.64	441.13
Belgium	[illegible]	95.15	101.16	90.45
Denmark	[illegible]	96.15	99.15	94.00
France	[illegible]	65.3	71.2	47.6
Germany	794.6	790.0	812.7	758.3
Holland	[illegible]	82.4	87.0	76.0
Hong Kong	582.67	574.72	582.67	383.44
Italy	62.46	62.04	64.24	55.45
Japan	421.04	419.86	421.04	364.04
Singapore	[illegible]	362.17	363.57	282.0
Spain	103.33	102.34	[illegible]	[illegible]
Sweden	377.96	[illegible]	[illegible]	[illegible]
Switzerl'd	[illegible]	[illegible]	[illegible]	[illegible]

Indices and base dates (all base values 100 except NYSE All Common — 50, Standards and Poors — 10 and Toronto 300-1,000, the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (‡) Sydney All Ord. (||) Belgian SE 31/12/63. (**) Copenhagen SE 1/1/73. (††) Paris Bourse 1961. (‡‡) Commerzbank Dec., 1953. (§§) Amsterdam Industrial 1970. (¶¶) Hang Seng Bank 31/7/64. (|||) Milan 2/1/73. (a) Tokyo New SE 4/1/68. (b) Straits Times 1966. (c) Closed. (d) Madrid SE 30/12/77. (e) Stockholm Industrial 1/1/58. (f) Swiss Bank Corp. (u) Unavailable.

THURSDAY'S ACTIVE STOCKS

	Stock traded	Closing price	Change on day
Union Carbide	[illegible]	[illegible]	[illegible]
Occidental Petroleum	[illegible]	[illegible]	[illegible]
Bally Mfg	[illegible]	[illegible]	[illegible]
Amer. Tel. and Tel.	[illegible]	[illegible]	[illegible]
Texaco	[illegible]	[illegible]	[illegible]
Southern	[illegible]	[illegible]	—
Rorer	[illegible]	[illegible]	[illegible]
Donnelley	[illegible]	[illegible]	[illegible]
K Mart	[illegible]	[illegible]	—
Playboy	[illegible]	[illegible]	[illegible]

GERMANY ◆

July 6	Price Dm.	+ or —	Div. %	Yld. %
AEG	78.1	−0.4	—	—
Allianz Versich	475xd		31.2	3.3
BMW	247xd	+2	28.08	5.8
BASF	150.5xr	−1.6	18.76	7.2
Bayer	135.3xr	−1.9	18.75	7.1
Bayer-Hypo	289.0	−1.0	28.12	4.9
Bayer-Vereinsbk	319.5	+0.5	18	2.9
Ciba Geigy Netw	163		—	—
Commerzbank	233.0	+1.5	17	7.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOKYO ¶

July 6	Prices Yen	+ or —	Div. %	Yld. %
Asahi Glass	333		14	2.1
Canon	470	+1	12	1.3
Casio	721	−27	25	1.7
Chinon	398	+18	20	2.5
Dai Nippon Print	545		18	1.7
Fuji Photo	540	+10	15	1.4
Hitachi	251	+1	12	2.4
Honda Motors	573		18	1.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source Nikko Securities, Tokyo

AUSTRALIA

July 6	Aust. $	+ or —
ACMIL (25 cents)	10.83	−0.01
Acrow Australia	10.86	
Allied Mng. Trdg. Inds. $1	12.10	
Ampol Exploration	11.30	
Ampol Petroleum	10.61	
Assoc. Minerals	11.10	+0.01
Assoc. Pulp Paper $1	11.24	
Assoc. Con. Industries	11.61	+0.01
[illegible]	[illegible]	[illegible]

BRAZIL

July 6	Price Cruz	+ or —	Cruz Div.	Yld. %
Acesita OP	1.00	+0.03	0.12	12.00
Banco do Brazil	2.01	−0.01	0.17	8.45
Banco Itau	1.58		0.37	23.41
Belgo Mineira OP	2.15	+0.09	0.08	3.75
Loja Amer. OP	3.34	−0.07	0.20	6.02
Petrobras PP	3.23	−0.07	0.15	4.02
Pirelli	1.52	+0.05	0.16	10.52
Souza Cruz OP	2.87	−0.04	0.23	8.01
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: Rio de Janeiro SE.

AMSTERDAM

July 6	Price Fls.	+ or —	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRUSSELS/LUXEMBOURG

July 6	Price Frs.	+ or —	Div. Frs. Net	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PARIS

July 6	Price Frs.	+ or —	Div. Frs.	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OSLO

July 6	Price Kroner	+ or —	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JOHANNESBURG

MINES

July 6	Rand	+ or —
[illegible]	[illegible]	[illegible]

INDUSTRIALS

	Rand	+ or —
[illegible]	[illegible]	[illegible]

Securities Rand U.S.$0.69 (Discount of 40.0%)

SPAIN ♥

July 6	Per cent	+ or —
[illegible]	[illegible]	[illegible]

SWITZERLAND ●

July 6	Price Frs.	+ or —	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COPENHAGEN ♣

July 6	Price Kroner	+ or —	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MILAN

July 6	Price Lire	+ or —	Div. Lire	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STOCKHOLM

July 6	Price Kronor	+ or —	Div. Kr.	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

VIENNA

July 6	Price %	+ or —	Div. %	Yld. %
Creditanstalt	342		10	2.9
Perlmooser	258	−2	9	3.5
Selecta	550		38	6.9
Semperit	99	+2		
Steyr Daimler	198	+2		
Veit Magnesit	235	+1	10	4.3

EUROPEAN OPTIONS EXCHANGE

Series	July Vol.	July Last	Oct. Vol.	Oct. Last	Jan. Vol.	Jan. Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BASE LENDING RATES

A.B.N. Bank	10 %
Allied Irish Banks Ltd.	10 %
American Express Bk.	10 %
Amro Bank	10 %
A P Bank Ltd.	10 %
Henry Ansbacher	10 %
Banco de Bilbao	10 %
Bank of Credit & Cmce.	10 %
Bank of Cyprus	10 %
Bank of N.S.W.	10 %
Banque Belge Ltd.	10 %
Banque du Rhone	10 %
Barclays Bank	10 %
Barnett Christie Ltd.	11 %
Bremar Holdings Ltd.	11 %
Brit. Bank of Mid. East	10 %
■ Brown Shipley	10 %
Canada Perm't. Trust	10 %
Capital C & C Fin. Ltd.	10 %
Cayzer Ltd.	10 %
Cedar Holdings	10½ %
■ Charterhouse Japhet	10 %
Choulartons	10 %
C. E. Coates	11 %
Consolidated Credits	10 %
Co-operative Bank	*10 %
Corinthian Securities	10 %
Credit Lyonnais	10 %
The Cyprus Popular Bk.	10 %
Duncan Lawrie	10 %
Eagil Trust	10 %
English Transcont.	11 %
First Nat. Fin. Corpn.	12 %
First Nat. Secs. Ltd.	12 %
■ Antony Gibbs	10 %
Greyhound Guaranty	10 %
Grindlays Bank	‡10 %
■ Guinness Mahon	10 %
■ Hambros Bank	10 %
■ Hill Samuel	§10 %
C. Hoare & Co.	†10 %
Julian S. Hodge	11 %
Hongkong & Shanghai	10 %
Industrial Bk. of Scot.	10 %
Keyser Ullmann	10 %
Knowsley & Co. Ltd.	12 %
Lloyds Bank	10 %
London Mercantile	10 %
Edward Manson & Co.	11½ %
Midland Bank	10 %
■ Samuel Montagu	10 %
■ Morgan Grenfell	10 %
National Westminster	10 %
Norwich General Trust	10 %
P. S. Refson & Co.	10 %
Rossminster Ltd.	10 %
Royal Bk. Canada Trust	10 %
Schlesinger Limited	10 %
E. S. Schwab	11½ %
Security Trust Co. Ltd.	11 %
Shenley Trust	11 %
Standard Chartered	10 %
Trade Dev. Bank	10 %
Trustee Savings Bank	10 %
Twentieth Century Bk.	11 %
United Bank of Kuwait	10 %
Whiteaway Laidlaw	10½ %
Williams & Glyn's	10 %
Yorkshire Bank	10 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 7%, 1-month deposits 7¼%.
† 7-day deposits on sums of £10,000 and under 6½%, up to £25,000 7¼%, and over £25,000 7¾%.
‡ Call deposits over £1,000 7%.
§ Demand deposits 7¼%.

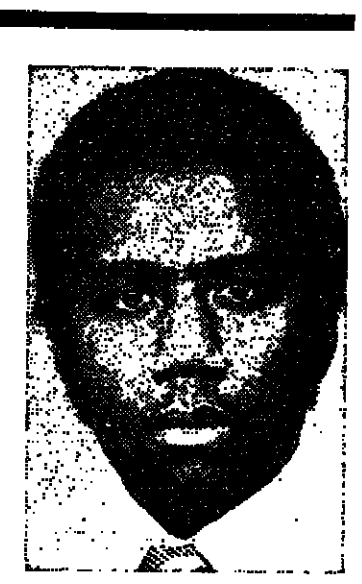
FINANCIAL TIMES SURVEY

Friday July 7 1978

'Dots and dashes' come of age

Solomon Islands

Today the Solomon Islands emerge from colonial rule and achieve independence from the U.K. To achieve any sort of success their existing economic strength will have to overcome the problems posed by a scattered archipelago of different languages and cultures.



Mr. Peter Kenilorea, Prime Minister.

By Charles Smith

ON A map of the world the Solomon Islands appear as a double row of dots and dashes stretching south-eastwards into the Pacific Ocean from the eastern tip of Papua New Guinea. As from today these dots and dashes become the 36th independent member of the Commonwealth, with the Queen as titular head of state and with a right to apply for membership of the UN General Assembly.

The Solomons are probably no worse qualified for nationhood than most of the other diminutive island communities that have emerged from colonial rule in the past few years. They may be better qualified than some since there can be little doubt that the economy of the islands is basically strong, with a rich diversity of exploitable natural resources. What can be said, however, is that the Solomon Islands, as they are today, hardly correspond to most peoples' idea of an independent nation state.

The islands, strung out over 800 miles of ocean, contain about as much land as Belgium, but only just over 200,000 people, with populations ranging from 60,000 to 8,000 on the six largest islands. Around 80 different languages are spoken (although pidgin English operates as a kind of Linqua Franca), and stories of endemic warfare between island communities are still fresh in the minds of older people. The Solomon Islanders were head-hunters until Christian missionaries arrived towards the end of the last century, and had no iron tools up to the time of the arrival of the first European traders some 80 or 90 years earlier.

The British Solomon Islands protectorate, established in 1893, seems to have done little, initially, except to claim the islands for the UK and to open the way for a handful of adventurers to establish copra plantations in the western part of the archipelago from the early-1900s onwards. By the Second World War, when one of the main islands, Guadalcanal, became the scene of a six months pitched battle between the U.S. and Japan, the islands were still almost as backward as they had been at the start of the colonial era.

Handful

The war changed life in the Solomons in two ways. The first was that the U.S. military constructed an airstrip and a deep-water port on Guadalcanal, which made this island the natural administrative centre of the Solomons after the war had ended. (The U.S. airstrip became Henderson Field, which is still the Solomon Islands' one and only international airport, while the deep-water port dictated the site of the present capital, Honiara.) The second effect was to start a non-co-operation movement known as "Marching Rule" on the island of Malaita in the immediate post-war period.

The leaders of marching rule, a handful of whom are still members of today's Legislative Assembly, inspired their followers with the belief that if British rule were overthrown and a new order established, "Cargoes" of American cigarettes and chocolate would appear over the horizon to reward them for their perseverance. This message was effective enough to put much of Malaita—which happens to be the most populous island in the archipelago—outside the bounds of effective British administrative control during some 15 years between the late-1940s and the early-1960s.

It was after the suppression of Marching Rule (actually a corruption of Ma'asina, or brotherhood rule in Melanesian) that the protectorate authorities gave the Solomons its first Government-run secondary school (King George VI school in Honiara, where many of the country's present leaders were educated). Two other consequences were the establishment of local councils in Malaita and other islands or island groups and the preference shown to Malaita by subsequent British administrators in the allocation of public works projects—especially roads, of which the island has far more than other major islands.

The Marching Rule movement did not set the Solomons on the road to eventual independence—if indeed its leaders ever had any clear notion of the meaning of this term. What did start the independence ball rolling was the realisation by Britain in the mid-1960s that it did not wish and probably could not afford to stay in the Solomons indefinitely. This realisation prompted a change of economic policy (gradual substitution of project aid for budgetary grants with a view to steering the economy towards eventual self-sufficiency) and a series of administrative and constitutional changes which gave the Solomons partial self-government and then full internal self-government from the early-1970s onwards.

The personalities and political movements thrown up during the move towards eventual independence have not at any stage looked particularly impressive. The Solomons first Chief Minister, Mr. Solomon Mamoloni, was a New Zealand-educated former Government administrative officer who quickly won a reputation as something of a wheeler and dealer and was forced to resign from office (though only temporarily as it turned out) after details leaked out of a private deal he had made with an American mint for the issue of medals to commemorate Solomons independence.

Mr. Mamoloni's successor, in office since 1976, is Mr. Peter Kenilorea, a devote Christian and former school teacher, who was also educated in New Zealand. Mr. Kenilorea's critics have described him as obstinate and lacking in charisma, but two years of rule by the Kenilorea Cabinet have at least stabilised politics at the centre and prepared the ground for a smooth handover of power from the British. The fact that neither Mr. Kenilorea nor anyone else has succeeded in forming an effective political party to date does not seem to worry local leaders, although some outsiders see it as a weakness.

The biggest issue that will confront the Kenilorea cabinet during the first year of independence, and perhaps for considerably longer, is the two-sided problem of what to do about the threatened secession of Western District and the devolution of central Government powers. The Western secessionist movement (if it really is that, which some observers doubt) is rooted partly in the traditional jealousies and suspicions of the major island groups for one another—enhanced by the fact that Westerners probably see themselves as culturally and ethnically superior to some other groups. A second element in the situation involves the allegedly unfair allocation of Government funds for public works projects, with the West claiming to contribute the biggest portion of tax revenue but not receiving the largest public works allocation.

A final element involves the "go-getting" behaviour of Malaitans who for many years have been tending to migrate from their own relatively thickly populated island to other parts of the Solomons archipelago. Malaitans have tended to take most of the jobs in the new plantation projects established in the Solomons during the past five years. They also exercise a preponderant influence in the central Government (the Prime Minister, the Speaker and the Deputy Speaker in the Legislative Assembly are all Malaitans). With independence fast approaching and with prospects looming for the withdrawal of Britain's moderating hand, this combination of factors apparently became too much for the Westerners—or at least enabled a handful of their leaders to launch a secessionist bandwagon.

Mr. Kenilorea, whose political style stresses imperturbability, claims that the secessionist issue is unreal and that the real question is how much autonomy the West (and other districts) will be given when the Government's committee on the establishment of provincial governments completes its deliberations in six to 12 months' time. The Prime Minister sees a partial transfer of tax-collecting functions and the right to determine constituency boundaries (within districts) as two main areas of concession. He does not want to give the districts the right to fix tariffs (although the West is demanding this). The independence constitution rules out the exercise by provincial governments of control over migration (a crucial issue and the one on which success or failure of the bid to sooth Western anxieties may finally depend).

Mr. Kenilorea, a schoolmaster turned administrator, turned politician, does not see himself as engaging in backstairs political bargaining with Western leaders to avert secession. The likelihood is, however, that the issue will eventually have to be resolved at a political level and that it could become mixed up with the question of central Government leadership when the next elections come round in 1980. At these elections, Mr. Mamaloni (who resigned from the legislative assembly in 1976 after being voted out of the Chief Ministership) will certainly attempt a comeback.

Candidate

Another candidate for power will be Mr. Bart Ulufa'alu, a 28-year-old economics graduate of Papua New Guinea University, who reactivated the Solomons trade union movement and then used his union base as a springboard for entering politics. Mr. Ulufa'alu claims the title of leader of the opposition in the Assembly, although his immediate followers number only four (the bulk of the 38-member House are officially independents).

A fourth leader who could emerge into the political limelight during the next year or two is the Finance Minister, Mr. Benedict Kinika, a former catechist from a Catholic mission school in the eastern Island of San Cristobal, who has the advantage of being neither a Malaitan nor a Westerner and whose administrative ability and political skills have begun to attract attention.

The odds are that one or more of these men will challenge Mr. Kenilorea for the leadership after the next elections. The question of who leads the Solomon Islands after the first year or two of independence, however, is much less important than that of how basic issues are to be tackled. Apart from the devolution question, these include the question of how to draft economic development strategy that will meet the fast-growing demand for jobs without disrupting the traditional social structure (based on collective ownership and the extended family) that is one of the islands' main strengths.

A still broader set of problems that no one has had much time to consider yet involved the Solomons' overseas relationships after independence. It looks as if the islands will want to diversify away from their present heavy reliance on Australia (as a supplier) and Britain (as an aid donor). But the eventual pattern of relationships can only be guessed at—though it is certain to include Japan.

The most hopeful sign on the eve of independence is that the islanders themselves breathe an air of confidence and of enthusiasm for the process of westernisation that seems to be coming to the Solomons whether it likes it or not. To what extent enthusiasm for westernisation should be understood as "wanting to own a transistor, see a movie and have a drink in an hotel" (as one local politician puts it) and to what extent it implies a genuine urge for national development is a matter of opinion. All that can be said with certainty is that the process is no longer reversible.

Economy aims to diversify

THE SOLOMON ISLANDS' economy was typical of the static colonial pattern from the arrival of the British, and the establishment of the British Solomon Islands protectorate, in the late 19th century until the first stirrings of a move towards independence in the mid-1960s. In its traditional form the economy consisted of a large subsistence sector in which food crops were grown by methods that had been in use for thousands of years before the arrival of Europeans, overlaid by a small plantation sector and a minimum of services needed to cater to the needs of a colonial administration.

Copra exports from the European and Chinese-owned plantations (and from a small number of smallholders), provided the bulk of the islands' exports until the late 1960s. The Budget was balanced with heavy infusions of British "grants in aid" (which until a decade or so ago constituted the bulk of UK assistance to the colony). Business was—and still largely is — dominated by overseas interests, with a small Chinese community controlling over 90 per cent of retail and wholesale trade.

The change from colonial stagnation to the present uneasy but exciting phase of economic transformation and development began in the mid-1960s when UK policy towards the smaller and more dependent colonies began to shift in the direction of a preparation for eventual independence. One aspect of the change was a planned reduction of annual budgetary subventions combined with a greater readiness to make medium or long-term commitments for the provision of project aid designed to lead to eventual economic self-sufficiency. The change in British aid policy towards the Solomons prepared the ground for the launching in the late 1960s of a series of natural resource development projects, including a fisheries venture, commercial oil palm production and crushing on the island of Guadalcanal, commercial rice (also in Guadalcanal) and logging in Western District.

The natural resources projects are the main reason why the cash sector of the economy recorded an average real per head growth of about 4 per cent per year from 1973 onwards, which in turn means a growth rate of around 2 per cent (in admittedly rough and conjectural terms) of the whole economy (including the subsistence sector where incomes are largely a matter of guesswork). This growth rate, conjectural as it is, must be regarded as a fairly striking achievement when set against the background of a population increase of about 3.4 per cent per year—one of the highest rates in the world.

Despite the high rate of growth that seems to have been registered during the last few years, and despite the no less significant diversification in sources of wealth, the Solomons remains a backward community by any normal yardstick. Per capita income in 1976, at an estimated 269 Solomon Island dollars per head, was the second lowest in the South Pacific and less than half that of Fiji, one of the more advanced island nations in the region. Ownership of the economy remains predominantly in the hands of foreign investors (except for the Government) and participation in the cash sector by Solomon Islanders is still limited. Only a quarter of the working age population was actually employed in 1976, while only roughly one half of primary school age children were in school.

The challenge which faces the Solomons after independence is to move on from this "threshold position" in economic development without doing too much violence to the traditional social values and customs which constitute the melanesian way of life. These customs and traditions, in a nutshell, involve collective ownership of land, the extended family system, and an ethic of sharing goods and property between relatives which goes by the name the *wantok* ("one-talk") system. One-talk means that anyone who drops out of the newly develop cash economy can be sure of being fed and clothed when he goes back to his village. It also means, in reverse, that those who have entered the cash economy can face embarrassing calls on their hospitality from relatives who decide to come into town.

Economic development during the four years from 1975 until the end of the decade has been taking place within the framework of a national development plan which established a fairly rapid economic growth target, besides calling for increased local ownership of the economy, a reduced rate of population growth and the phasing-out of reliance on British budget subventions. With roughly 18 months left to run, the plan has been a clear success in terms of its economic objective. Some three-quarters of the A$60m. scheduled for investment during the period had been committed by late 1977, and there seem to be good prospects that most of the remainder will have been spent before the end of 1979. In terms of the reduction of dependence on aid subventions, targets are also within sight of attainment — British aid is expected to be exclusively of a project nature by the start of the 1980s, with the Solomons having achieved self-sufficiency in a budgetary sense (and with several other major contributers besides the UK starting to put up funds for project development).

Neutral

In terms of population growth the plan has been far less successful. There is no sign that the rate of increases is slowing at present, and the Government, sensitive to accusations from its opponents that it has been trying to "reduce the population," is now adopting a studiously neutral position on the issue. The prospect is, therefore, that the next development plan, due to come into operation in 1980, will have to be geared to a considerably sharper rate of population growth and correspondingly faster rise in the demand for jobs than the current plan.

Officials at the Ministry of Finance estimate that about 7,500 new jobs will have to be provided by the mid-1980s in order to keep up with the demand for employment generated by population growth and by the increasing flow of young people from the "outer" islands (particularly Malaita) into Honiara and north Guadalcanal. About 5,000 of these should materialise, all being well, through the implementation of a second generation of major natural resource projects. These are expected to induce commercial cocoa growing, a second oil palm plantation, an expansion of the present joint venture with Japan and more logging and timber processing operations in Western District. Another 2,500 jobs should materialise as a service spin off from the main resource projects.

BASIC STATISTICS

Land area	11,150 sq miles
Population (1976)	196,823
Mid-1978 (est.)	214,000
GDP	SI$70.1m
Trade (1977)	
Imports	SI$25.8m
Exports	SI$29.8m
Imports from UK	SI$3.5m
Exports to UK	SI$4.4m
Currency (dollar)	SI$=A$
	£1=$1.62

The blueprints which will provide for job and resource creation along these lines may prove quite hard to put into operation for reasons which are not strictly economic. One of the main problems is that resource development involves land alienation, and nearly all the land in the Solomons (88 per cent) is held under a collective ownership system which makes transfer of ownership virtually impossible. The launching of new projects will have to involve prolonged negotiations between the Government and ownership groups, which will end (if all goes well) with the owners becoming share holders or joint venture partners in development projects.

In order to realise its development blueprint from 1980 onwards, the Government will also have to work out a viable partnership policy between itself and the foreign investors whose skills and capital will be needed. Foreign ownership of the economy is an increasingly sensitive issue, and the Government has laid down a policy for joint venture partnerships between itself and foreign investors in future projects. The Government stake in such projects will be held by a Government Sharing Owning Agency whose funds have been supplied from foreign aid (including a sizeable portion of the four year aid package worked out with Britain as part of the independence settlement).

Foreign investors, however, still have to be convinced that Government participation in future projects will not hamper their operations. They may also have to be reassured that the devolution of powers from the central Government to provincial governments (now known as local councils) expected within a year or so of independence will not make life still more difficult.

In their present form, the local councils are responsible for a range of strictly local issues such as health and education, agricultural extension services, etc. They could acquire some tax collecting rights after independence, and there is an outside chance that tariff policy might be partially devolved from the central Government. The Finance Ministry, however, which played a major role in guiding the first stages of devolution up to the local council level, is clearly not going to allow its vital fiscal authority to be whittled away without putting up a struggle.

Another problem, though not such a central one, which will have to be sorted out during the early months of independence is the management of the domestic money supply. The three banks currently operating in the Solomons (Commonwealth Banking Corporation of Australia, Australia and New Zealand Bank, and Hong Kong and Shanghai) currently have deposits far in excess of their lending rate — for the very simple reason that in the "threshold" phase of development it has been hard for them to find suitable borrowers. A specific problem is the land ownership system which prevents individuals from being able to offer title deeds to property as a collateral for bank loans.

Because of the difficulty of putting funds to use in Japan, the two Australian banks have invested their surplus funds in Australia and one bank estimates that some A$10m worth of Solomon Islands funds have been shipped out of the country in this way. The Government is not insisting that the banks bring the money back after independence, presumably because it appreciates the difficulty of finding an immediate use for them within the country. The changeover from the Australian dollar to the new Solomon Islands dollar as the official currency of the new nation, and the prospect that the latter may appreciate against the former, means, however, that the banks will be running an exchange risk if they do continue to deposit funds in Australia.

Doubts about the position likely to be taken up by the Goverment on specific issues do not affect the basic point that the Solomons can count on a strong and broadly based economy in the foreseeable future. The north Guadalcanal plain, in which Honiara is situated, represents potentially the largest food groiwng area in the South Pacific, with the capacity to feed all the other food deficient islands in the region. The Solomons also has a minerals potential in the form of bauxite in Rennel Islands, copper in Guadalcanal and nickel in Santa Isabel, which could provide an important supplement to agricultural income.

Charles Smith

The search for cash crops

UP TO the mid-1960s, copra was virtually the only cash and export crop in the Solomon Islands. Pre-World War II its cultivation was largely in the hands of foreign-owned companies, particularly Levers Pacific Plantations, which has been in the Solomons since 1905.

Many of the coconut plantations were severely damaged during the war and were sold to local smallholders, who have subsequently rehabilitated them with Government help. An increasingly important part is now being played by local smallholders, who have supplied more than half of the country's total annual copra production for export, averaging 26,000 tons, during the last three years. Since the early 1970s agricultural production has been substantially diversified by large-scale ventures in palm oil and rice as well as by the expansion of cattle ranching.

In the current development plan the Government continues to pursue a two-pronged policy, encouraging on the one hand the rehabilitation and expansion of the traditional export sector, mainly copra and to a lesser extent cocoa, and on the other diversification into new products and where possible the processing of them. The Government plans to increase the country's self-sufficiency in food, its export earnings and local cash incomes, as well as to generate more jobs and economic growth all round. Some encouraging progress has been made. Food imports have been held down to the low level of only 16 per cent of total imports, compared with 21 per cent in the early 1970s, mainly as a result of increased self-sufficiency in rice and near self-sufficiency in fresh beef and fish. Export earnings have been running high recently as a result of improved world market prices, higher copra tonnages, but also the success of the newer ventures in palm oil, timber and fish.

However, the fact is that the bulk of recent developments has consisted of a handful of fairly sizeable, largely foreign-owned ventures, which have created 2,500-3,000 new jobs, but have left the rest of the economy largely untouched. The remote rural areas in Malaita, Makira and Eastern Islands, in particular, complain of neglect. Rural cash incomes are still extremely low, averaging only SI$40 a head, and as low as SI$15 a head in Malaita, where in a survey conducted in 1974 one in four families reported having had no cash income during the previous 12 months.

Unless the major emphasis is put on to rural development in the next development plan, the Solomon Islands will run the risk of seriously aggravating the existing trend towards a dual economy, with a relatively wealthy urban and commercial agricultural sector contrasting sharply with the poverty in the rural areas.

Any improvements in the subsistence and smallholder sector are held back by the almost total absence of modern farming knowhow, by lack of transport and marketing facilities as well as by the difficult land tenure problems. Despite the important part that copra plays as the main source of cash income in the rural areas, subsistence farming, that is the shifting cultivation in the forest of root crops, using no fertilizer and only limited agricultural knowledge handed down from generation to generation, is the main form of livelihood for 70 per cent of the population. So far the Solomon Islands' farmers have very little else to sell apart from copra—a little cocoa, some chillies and turmeric for export and a limited amount of fruit and vegetables, mainly for the Honiara market. The policy of the Ministry of Agriculture in recent years has been to rely on subsidy schemes to promote increased production of copra, cocoa and cattle for beef, and relatively little effort, except in the case of the cattle development project, has been put into extension work in the field. The main research station, carrying out work on improving subsistence farming and diversifying into new cash crops, was closed down two years ago.

For all the advances into new products, the largest area of commercial farming land is likely to remain under coconuts for the simple reason that although the return from a hectare under, say, oil palms is much higher, coconuts are an ideal smallholder crop and an essential part of the local diet flourishing on poor soil with a minimal amount of cultivation and processing and easy to store and transport.

Thanks to substantial Government subsidies smallholder coconut replantings and new plantings have been somewhat above annual targets in recent years, although below the average for the last decade.

CONTINUED ON NEXT PAGE

Fish, wood and minerals

ONLY A part of the Solomon Islands' fish, timber and mineral resources has so far been fully assessed and only a fraction actually exploited.

The extent of the commercially loggable timber resources and the bauxite deposits on Rennell and Vaghena has been known since the late 1960s, but information about the variety of other minerals that have either been found in isolated prospects or are suspected to occur is very hazy.

Information about the size of fisheries resources is equally scanty. A British-financed geological mapping survey is about one third of the way through the task of carrying out the basic geological mapping and the offshore mineral resources still remain to be investigated. It is hoped that the South Pacific Regional Fisheries Agency now being set up will in due course tackle the formidable task of assessing the region's fisheries resources in order to formulate a concerted fishing and conservation policy, especially for the most important, highly migratory species of tuna.

Whatever resource data the various studies eventually come up with, there is no doubt that the country's substantial natural resources will play a crucial role in the islands' economic development in years to come.

The rapid expansion of the fisheries sector has been one of the most spectacular economic growth points during the last five years. Solomon Taiyo (STL), a tuna fishing and canning operation, was set up in 1973 jointly by the big Japanese fishing group Taiyo and the Solomon Islands Government, which has a 25 per cent stake in the venture. Since then skipjack catches have more than doubled and exports increased by 75 per cent. After a record of 15,800 tons in 1976, last year's catch was down to around 13,000 tons, reflecting what seems to be a two-year fishing cycle throughout the Pacific. This year the 1976 record should be exceeded. While copra still accounted for half of all exports at the beginning of this decade, total fish exports have topped the export table in the last two years.

The company has spent around SI$ 5.5m since 1973, primarily on substantial freezing and other onshore facilities at both Tulagi and a second, newer base at Noro on New Georgia, as well as a secondhand cannery at Tulagi, capable of processing about 3,000 tons of raw fish a year (against a present rate of throughput of about 2,000 tons) and four catcher boats. The other 16 that make up the fleet are chartered.

Following a reassessment by the Government and Taiyo of their joint venture earlier this year, STL announced a major operational and financial expansion. It intends to set up a third fishing base in the Shortland Islands in the Northern Solomons and introduce long-line fishing to tap the rich big-eye and yellowfin tuna resources in the deeper layers of the Solomon waters. This expansion should bring STL's investment stake to between SI$ 8.5m and SI$ 9m by 1980.

Shortage

While the shortage of raw fish, particularly in the large American canneries, is keeping the world market price high—last year it stood on average at SI$ 652 against SI$ 493 the year before—STL will continue to export the bulk of its catch in fresh and frozen form, mostly to the American canneries in Samoa, Puerto Rico and the U.S. mainland. In the longer run, however, depending on a feasibility study to be undertaken next year, it intends to build a second, modern cannery, of at least three times the size of the Tulagi plant, perhaps at Noro.

The commercial exploitation of the Solomon Islands' forests has been going on for many years. But really large-scale logging only started with Levers Pacific Timbers on Kolombangara in 1968. Since then the annual timber production has been oscillating somewhere between 230,000 and 270,000 cubic metres, reaching 260,000 cubic metres last year. Over 90 per cent is exported as raw timber, largely to Japan, but some also to Europe and Korea. Last year 238,000 cubic metres of logs were exported against the present development plan's target of 285,000 cubic metres by 1979. But overall logging performance and local processing are still a long way behind the goal of an annual logging rate of 400,000 cubic metres and a processing rate of about 30 per cent by 1979. With Lever's reserves on Kolombangara likely to last only another 3½-4 years, the overall logging rate will begin to decline sharply by the early 1980s, unless Levers succeeds in obtaining the timber rights for two major new logging areas on the north-east and north-west coast of the island of New Georgia. If present negotiations with landowners are successful in the next few months, national timber production could well exceed the development plan target by 10-15 per cent by the early 1980s.

At the moment the Solomon Islands account for less than 1 per cent of South-East Asia's annual log exports of around 40m cubic metres. They are likely to remain a relatively insignificant—though in local terms highly important—timber supplier, both because of the obvious limits to production and of the lower timber qualities and logging yields. With South-East Asia's main timber species, the dipterocarp, a nicely shaped, tall, easily workable timber, totally missing from their forests, the Solomon Islands are logging species that are left behind in Malaysian and Indonesian forests—or at least were left behind until recently.

At an annual logging rate of around 400,000 cubic metres it is reckoned that by the year 2000 the country's present commercial timber reserves of an estimated 9m cubic metres will have been logged out and plantation logging will have to take over. Reafforestation has only been undertaken in earnest since the mid-1970s. By the end of last year somewhat more than 11,000 hectares had been replanted by the Government, largely with UK aid. The Government is aiming at an annual replanting target of 4,000-5,000 hectares, which on the assumption of about half of the total area logged by the year 2000 going into agricultural use, should be sufficient to build up between 100,000 and 120,000 hectares of forestry reserves by the beginning of the next century.

The discovery in the late 1960s and early 1970s that the high-quality of bauxite reserves (with an alumina content of 47-48 per cent) could sustain an annual alumina output of 1m tons over a period of 20 years sent politicians' heads spinning. But then a multitude of technical, marketing and, perhaps most crucial, social and human problems began to make the whole project more and more questionable, so that Mitsui Mining's partner in the original explorations, the Rio Tinto Zinc subsidiary PAL, actually withdrew from the plan to build a joint refinery on Rennell.

Solomon bauxite is very low in silica, but high in phosphorus, organic carbon and moisture, requiring a special refining process quite different from the usual Bayer method. Mitsui experiments in Tokyo proved that Rennell alumina produced under this new process could still be competitive despite the initial high investment. By the time the technical problems appeared to have been solved, the energy cost escalation had begun to hit the Japanese aluminium smelters severely. Now the huge overcapacity, in addition to a powerful anti-pollution lobby, are likely to prevent any future expansion in the Japanese aluminium industry—and hence direct sales of Solomon alumina to Japan. Meanwhile Mitsui, which is keen to see the project materialise after spending SI$2m on it, has been trying to get other aluminium producers or would-be producers, particularly in the Middle East, interested in buying the mineral, either in the form of bauxite to add as a "sweetener" to bauxite with a different mineral composition, or in the form of alumina, which could then be re-exported as ingots to Japan.

The latest twist in the bauxite saga is the idea of constructing an alumina plant on a barge in a Japanese shipyard and towing the barge from Japan to a bay in South Rennell. This scheme appears to have several important advantages over a plant built by largely imported labour on the remote island of Rennell. The construction period would be much shorter, the likelihood of unexpected contingencies and the overall cost would be greatly reduced, while the disruption brought about by a large imported labour force would be avoided.

The go-ahead for the bauxite project would bring tremendous benefits in terms of foreign exchange, Government revenue and employment, the latter mainly through the growth of associated secondary industry and services. But however hard the Government tried and however much expert advice it sought, the price for these advances would be colossal in terms of unbalancing the economy further than is already happening with large scale export operations. The Government has made it clear that it is for these social and socio-economic reasons that any decision to go ahead would be considered extremely carefully.

Mining prospects for other minerals are—and will be for a number of years—hampered by two key factors. First, until the mapping survey is completed knowledge about the occurrence and extent of minerals other than bauxite will remain scanty, and even once the potential is known further detailed prospecting will have to be undertaken. Secondly, several of the minerals that have been discovered so far—such as phosphate (on Bellona and Rennell), copper (on Guadalcanal and the Florida Islands), nickel (on Isabel), manganese (on the Florida Islands) and gold (on Guadalcanal)—are uneconomic propositions at present world market prices because of their many impurities and/or the small size of reserves known so far. Of the five minerals mentioned, most of which were prospected for some major international companies in the 1960s, copper remains the only one that is still being prospected. One prospector is also looking for chromite. The only mineral actually being produced is about 20 kg or so of alluvial gold.

Based on the widely-held theory that a massive copper belt stretches south from Bougainville down through the island chain, geologists are hoping that the mapping survey and further prospecting elsewhere in the archipelago may hit on some more substantial copper deposits and, in association with it, other minerals similar to the Bougainville deposits. As one of the Government's geologists puts it in a nutshell: The Solomon Islands' known mineral reserves are low, largely due to the underdeveloped state of the country. But the country's geological make-up promises a very good potential.

Irene Hawkins

Cash crops

CONTINUED FROM PREVIOUS PAGE

The country's single largest producer, Levers, which accounts for about one quarter of the annual export production and employs about 1,000 people, has so far concentrated on replanting an annual 243 ha with a new, high-yielding hybrid variety. But under growing Government pressure the company is expected to agree shortly to starting up a new 2,000 ha copra, cocoa and cattle project in the Russell Islands on so far undeveloped land. Only about one-third of Levers' 31,000 ha of leasehold land is under cultivation at the moment.

Levers is also the single largest grower of cocoa. Last year it produced 40 tons under coconuts on its estates at Yandina in the Russell Islands, where it has recently finished planting up 200 hectares of cocoa. Levers is planning a second cocoa plantation of over 300 hectares on Guadalcanal. Smallholders grow about 30 per cent of the annual harvest (of 164 tons last year). With most of the cultivation problems of the past now solved and a high world market price, cocoa appears to be a good smallholder crop and the Government is trying to encourage more small-scale plantings.

The country's palm oil producer, Solomon Islands Plantations, (SIPL), in which the British Commonwealth Development Corporation holds 70 per cent in partnership with the Solomon Islands Government and customary landowners (27 per cent and 3 per cent respectively) has just completed plantings on its 3,335 hectares of land on the North Guadalcanal Plains. It would like to plant up to another 1,500 hectares in the vicinity, provided it can negotiate the tenure rights. The company has also just begun to study possible sites for a second palm oil venture and/or other crops, in particular cocoa, on the islands of Kolombangara, Malaita and Makira. The existing mill, which started operating in April, 1976, produced 7,044 tons of palm oil and 1,435 tons of kernels last year. This year's output is likely to be nearer 10,000 tons of oil and 1,800 tons of kernels. Good initial harvesting yields and extraction ratios, which should improve a good deal further from 1980 onwards as older palms mature and newer ones start bearing and the mill is more fully utilised, are promising to turn palm oil into a highly important export crop.

After a number of unsuccessful attempts, started by the U.S. army as early as 1945, to grow dry rice, and subsequent experiments with wet paddy rice, a Hawaiian based company, Brewers Associates, took over the operation in the North Guadalcanal Plains in early 1975. Brewers Solomon Associates (BSA) seems to have overcome the worst of the pest problems now by controlling the very damaging hopper burn. In 1975 BSA achieved crop yields of only 2.1 tons of dry rice per hectare on its 451 hectares of irrigated land. Last year its 845 hectares yielded 3.2 tons per hectare. By the end of this year further pest control and improvements in varieties and cultivation methods should have raised the yield per hectare by another 10 cwt, though this is still a long way below the 5-5.5 tons per hectare which the company hopes to harvest from 1983 onwards. By then the company expects to get 25,000 tons of dry rice (on the assumption of 2.5 harvests annually) from a total irrigated area of 2,000 hectares. Annual output from the mill should run close to 20,000 tons.

Promise

The worldwide beef shortage at the beginning of this decade seemed to hold great promise for a major expansion of the national cattle herd, which had until then been mainly used for brushing, that is keeping down the undergrowth, in coconut plantations. The aim was not only to replace all forms of beef imports, but also develop exports of both frozen and canned beef to neighbouring markets. Spurred by a variety of Government subsidies, local smallholders rushed into buying a small herd of cattle, only to find soon afterwards that they often had neither sufficient experience in cattle rearing nor adequate pasture, transport or marketing outlets available. The rapid expansion of the national herd—from 12,000 to 24,600 head between 1971 and 1977—has now been checked and annual imports of, at one time, 2,000 head of cattle for breeding purposes are down to zero. The plan for a modern cannery has been dropped because recent data have revealed a much higher local consumption of fresh meat, both in Honiara and in the rural areas, than was assumed originally, and this is absorbing the whole of the present offtake of 3,300 head a year.

In a few years' time it should be possible to can the low quality cuts in small, probably second-hand, simple canning plants, catering entirely for local demand. Unless by this means the Solomon Islands beef can be canned at roughly the same cost as imported beef, the rapid growth in canned meat products in recent years (to over 500 tons last year) will continue, as local eating habits are undergoing profound changes.

In this scaled-down shape the cattle industry could fulfil a highly useful role in satisfying local needs, improving the local diet and supplementing smallholders' income, while still continuing its brushing function on plantations. But the generation of foreign exchange earnings will have to be left to copra, palm oil, cocoa, fish and timber.

I.H.

Export successes

FOREIGN TRADE and aid play a dominant role in the Solomon Islands' economy, exports accounting for some 40 per cent of total gross domestic product and aid for virtually all the Government's capital budget.

Australia, Britain and Japan are not only its main trading partners, but also key sources of investment and aid funds. Australia is still the most important supplier of foreign goods, although less so than at the beginning of this decade, when 45 per cent of all imports came from there against only 32 per cent of the total of SI$25.8m worth of imports last year. Both Japan and Singapore have strengthened their position on the local market over the years, the latter largely as a result of substantial fuel exports. Sinagpore is now marginally more important than Britain with a share of just over 14 per cent in total imports last year.

Changes in the archipelago's export pattern have been even more marked, mainly as a result of diversification into fish and palm oil in recent years. Canneries in American Samoa, Puerto Rico and the U.S. mainland have become major trading partners, accounting for about 18 per cent of last year's exports of SI$29.6m. At the same time traditional buyers such as Japan and Australia have become somewhat less important, while the British share has been growing again in recent years due to canned fish and palm oil exports. Sales to Britain are likely to gain further in importance, and trade with West Germany and some other European countries should expand if canned fish, palm oil and copra exports increase as expected. Europe may also become a more important market for timber.

For the second year running fish and fish products headed the export table last year, with a share of 28 per cent. Copra and timber followed close behind as second and third most important foreign exchange earners. The real star performer, however, was palm oil whose export share climbed to 10 per cent within a mere two years of starting to sell abroad.

The islands also export minor quantities of cocoa, some marine shells, manufactured tobacco and gold. There ought to be scope for expanding exports of cocoa and specialised crops, such as spices, as well as processed timber. Exports to surrounding Pacific islands are still very much in their infancy, albeit growing gradually (even if one discounts the special case of fish exports to American Samoa and copra to the Caroline Islands).

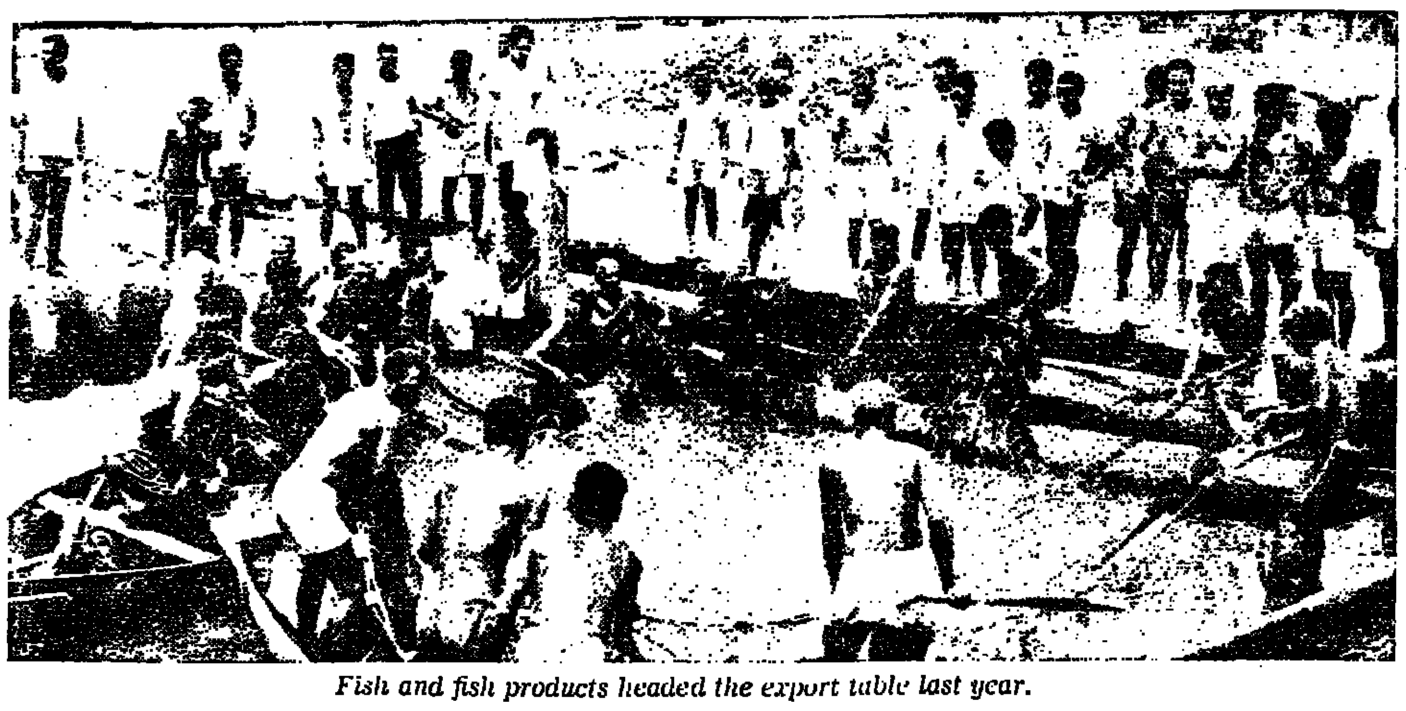
Since the 1974-75 import explosion and the subsequent commodity price collapse, which plunged the islands' trade balance deep into the red in 1975, overall trade developments have been very favourable. Last year's jump in exports by almost 50 per cent and the ensuing handsome visible trade surplus of SI$3.9m was largely due to much-improved commodity prices, especially for copra, but also to higher export tunnages of copra and palm oil.

This year's exports are likely to be boosted by further volume growth—especially in fish and palm oil—rather than by price increases. As a result of these favourable export developments, as well as large aid flows, the foreign exchange reserves are strong, covering about 5½ months' imports. Since last October the Solomon Islands have had their own currency, the Solomon Island dollar, at par with the Australian dollar, which has just been withdrawn from circulation.

Venture

In the last four or five years substantial foreign investment has been undertaken, mainly by the three key trading partners, but also by the U.S. Britain's stake is by far the biggest, with an estimated SI$15-20m tied up in the two Unilever subsidiaries engaged in copra and timber, as well as in CDC's majority stake in the palm oil venture. SI$5.5m of Japanese money has gone into the joint fishing venture, with at least another SI$3m to follow by 1980. The big Hawaiian sugar grower, C. Brewer Company, has invested about SI$8m so far in the rice project, while Australian money has gone into a range of medium to small ventures in logging, baking and building.

The Solomon Islands Government has had time to learn from the free-for-all that happened, for example, in the Caribbean and has laid down firm ground rules for foreign investors. The 1972 joint venture agreement with Taiyo embodies its goals on local participation (as least 25 per cent), localisation of personnel and general compliance with national development aims, and has become something of a prototype for neighbouring countries' negotiations with foreign investors.



Fish and fish products headed the export table last year.

The obvious success with the fishing venture and promising development in the joint palm oil company, the rich natural resources coupled with the presence of a stable government, pursuing a liberal import policy and handing out the usual carrots to foreign investors should help to attract at least some of the SI$60m of new foreign investment that the Government is hoping for over the next five years or so. Further major palm oil, fish and timber projects as well as beer brewing, can and package manufacture and wood processing are high on the list of the Commercial Investment Committee. But without a solution to the tricky land tenure problem it will be difficult to get many of these projects off the ground.

In contrast to its success in expanding and localising the foreign-financed export sector of the economy, the Government has been less lucky with the local business sector—and this despite special financial and business advisory support. Although most of the 245 registered companies at the end of 1977 were locally owned, these accounted for only a fraction of all capital invested. There is no shortage of finance as such. Honiara's three foreign-owned, commercial banks—with over 20 agencies outside—generally finance trade and commerce, although they have put money into the rice and fishing sector as well as into some statutory corporations. The Government development bank provides small agricultural and industrial loans to local investors. At the end of last year only a little over 40 per cent of the SI$700,000 available in funds was taken up. A recently set-up National Provident Fund has about SI$1.5m to invest annually. As in other small developing countries the bottleneck is not finance but the lack of local entrepreneurs with the right skills and courage to break into fields which have hitherto been dominated by Europeans and Chinese.

Undoubtedly many potential local investors are also put off by the small local market and the complications that exporting would bring to a business novice. The truth of the matter is that a good many Solomn Islanders regard their job as a temporary means of improving their livelihood, which is totally linked to their share in some customary land, to which they will return when they have made enough money or when things get difficult in Honiara.

For all these reasons the Government is increasingly forced into the role of investor, for which the substantial aid flows plus the promised British independence aid package of SI$45m over four years have luckily provided it with sizeable funds. Practically all public capital investment and about one eighth of recurrent spending have been financed by aid last year, in the main by SI$8.2m from Britain in cash (plus an estimated further SI$1m in non-cash grants). With increasing direct tax revenues as well as income from export levies, and with the profits derived from joint ventures with the private sector, the Government hopes to eliminate the recurrent budget gap by 1980. But for its major infrastructure and agricultural projects it must continue to rely on outside sources.

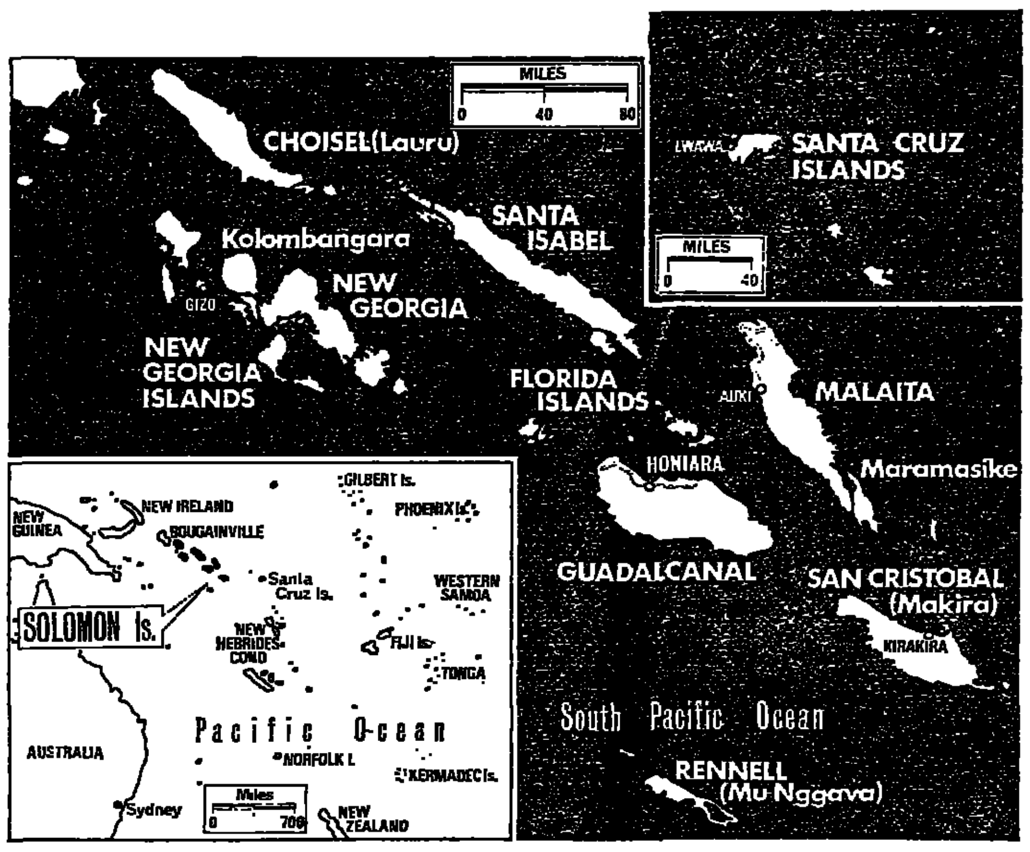
Independence will accelerate shifts in bilateral aid, with Britain in the long run cutting back and Australia, which has so far been a minor donor with only SI$700,000 last year, gaining in prominence. Japan is starting an aid programme this year of SI$2m rising to possibly SI$5m a year over the next three years.

Recent aid agreements with the Asian Development Bank (ADB) and the European Development Fund (EDF) will substantially increase the share of multilateral aid, which last year accounted for only a little over 5 per cent of total aid receipts of SI$10.5m in cash and kind, coming mainly from the ADB and the UNDP. The ADB will lend over SI$8m in the near future for the extension of Honiara port, the National Fisheries Development Corporation and the cattle scheme (on which some aid has already been disbursed) and is expected to be an important donor in the SI$24m hydro-scheme.

SI$10.5m will come from the EDF, half of it for a new telephone exchange in Honiara. A World Bank team has been looking at likely aid projects recently, in particular the possibility of a rural development programme.

Development funds from the World Bank's soft window, the IDA, would be especially welcome, because over the next few years some loan servicing will begin to add to the, at present almost negligible, public debt of the Solomon Islands, which have so far received most of their aid in the form of grants as well as in kind. Thus from now onwards there will be a much greater onus on the Government to put the aid funds it receives into projects which will generate revenue and foreign exchange.

Irene Hawkins



Tourist sector stagnates

DESPITE periodic efforts from the commercial and tourist sector, the present Government's attitude towards tourism is ambivalent. The Tourist Authority has been drifting on a small annual budget with limited and vaguely defined powers and is anxiously waiting for amendments to its legislation and some form of Government policy for the tourist sector. The stagnation in the number of tourists (as against the increase in the number of business visitors as well as friends and relatives) over the last few years clearly reflects the lack of official direction, of adequate accommodation and leisure facilities, but to some extent also the high cost of travel. Most of the 350 odd beds in the archipelago are in Honiara, while several more or less simple resthouses on some other islands cater for the odd traveller who is unable to stay with friends.

In the last few years about 3,000 tourists (and over 4,000 other visitors) came to the Solomons each year, staying on average for six nights. About one-third of them come from Australia. Visitors from other Pacific countries, among them Japan, are increasing, while fewer Americans come to see the World War II battlefields now than at the beginning of the decade. In addition there are a number of cruise passengers each year.

Altogether the gross income from tourism is estimated to amount to something like SI$1.4m a year. At present a large part of this leaves the country again in costly imports for the tourists' needs. This much reduced net benefit of tourism, the undoubted danger of upsetting small rural communities by putting an international luxury resort complex on their doorstep and the dread of prostitution—seen as a serious problem in other South Pacific tourist destinations—greatly outweigh in the minds of the Government the gains to be made in terms of employment and general spin-off on other sectors of the economy. Anybody who has seen the disastrous effects of uncontrolled tourism in a small Caribbean island can understand the Government's apprehensions. Furthermore, the Solomon Islands have plenty of other development possibilities.

If tourism is to be developed, a fairly small-scale, specialised trade might be encouraged. Scuba divers, snorkellers, shell collectors and veterans revisiting wartime battlefields all should find plenty to do in the Solomons. Coming on their own or in small groups should not cause any great cultural clash or local resentment.

The Government could well consider building, in conjunction with local investors, a chain of simple, family-run guest-houses constructed in local style and as far as possible serving local food. Some Caribbean hoteliers have been very successful with this type of accommodation and avoided most of the pitfalls of international tourism. Apart from that there is scope for another international hotel in Honiara itself, where post-independence traffic and the establishment of the Regional Fisheries Agency are going to bring more business.

I.H.

FARMING AND RAW MATERIALS

World zinc market 'recovering'

VIENNA, July 6.

THE INTERNATIONAL Lead and Zinc Study Group said today that the world zinc market was showing signs of recovery.

In a communique released at the end of a four-day meeting here, the group said consumption was rising faster than predicted and was expected to reach 4.3m tonnes this year—a rise of 3.5 per cent.

At the same time zinc production was continuing to decline and was unlikely to exceed 4.2m tonnes.

The Study Group said the price decline seemed to have been halted as producers' stocks had fallen in the last few months, although they still stood at high levels.

It described the overall position as "a modest improvement" and said continued strong growth in a number of developing countries was encouraging.

The Group said there was a consensus at the meeting, attended by delegates from 31 producer and consumer countries, that producers "should continue to exercise caution in their production policies" until the market was healthier again.

It was agreed that production should remain below consumption levels until the excessive stocks depressing world prices were reduced.

Community farm policy reviewed

BY JONATHAN CARR

BREMEN, July 6

EUROPEAN COMMUNITY leaders today took up the problem of the Common Agricultural Policy (CAP) — agreeing that a new move for its reform must be undertaken. A detailed discussion of CAP lasting almost one hour took place during the first session of the European Council meeting here, although the debate was unexpected.

The discussion, initiated by Italy, was described by one participant as the most serious to have been held for some years on the fundamental problems raised by the policy.

The issue is whether the CAP can be allowed any longer to take up more than 70 per cent of the Community budget. The topic has become more urgent in the context of the new scheme for more currency stability in Europe — which itself raises questions of economic convergence and whether Community resources are being used to best effect.

The Community leaders clearly decided today that resources are being squandered. It pointed out, for example, that support for the surplus-producing dairy sector alone far exceeded the sum set aside in the recent package to help Mediterranean agriculture as a whole.

Such consideratiosn are far from new. The Germans years ago used to press for fundamental reform of the CAP.

Bacon and eggs to cost more

By Richard Mooney

BACON RASHERS could be up to 3p a pound dearer in the shops next week as a result of first-hand price rises announced yesterday. The Danes have raised their price by £25 to a record £1,115 a tonne after holding it steady for 11 weeks. Irish and Ulster prices went up by £20 to £1,085 a tonne while FMC, Britain's biggest curer, which raised its price by £10 at the beginning of last month, added another £10 to £1,085 a tonne.

The Danish rise recoups the £20 a tonne cut in monetary compensatory amounts (MCA) subsidies resulting from the EEC farm price review.

Some egg prices will also be higher next week. The Goldenlay marketing consortium is raising size four (standard) eggs by 3p a dozen and smaller sizes by 4p a dozen. But it said most producers will still be losing 7p-8p on each dozen they sell.

Cocoa falls after early rise

By Our Commodities Staff

COCOA PRICES ended sharply lower on the London futures market yesterday when trade and speculative selling reversed an earlier rise.

A report by UN food experts that the Ghanaian cocoa crop was suffering from a severe drought and virus disease pushed up prices soon after the opening and September reached £1,790 a tonne at one stage. The rise was also encouraged by uncertainty about the political situation in Ghana following the resignation of General Ignatius Acheampong, the Head of State.

But prices fell when it was confirmed that rainfall in Ghana has recently been above normal. The UN report appeared to be outdated, dealers said.

The subsequent decline, which took September cocoa to £1,704 a tonne, down £63.75, at the close, was accelerated by technical factors. One dealer said there was only limited selling at the bottom of the market before the recent rally and now it had run out of steam selling was heavier than usual.

Apart from selling by speculators who bought on the way up, there was a good deal of trade selling against purchases from producers several weeks ago.

Big S. African maize crop

By Bernard Simon

JOHANNESBURG, July 6.

SOUTH AFRICAN maize exports could total 3.5m tonnes and earn around R340m in foreign exchange during the 1978-79 marketing season, according to an analysis by the Standard Bank of South Africa.

Despite fears late last year that dry weather (and later, abnormally heavy rains) had damaged young maize plants, the bank notes that the 1978 crop, now being harvested, will be over 10m tonnes and the second biggest on record. South Africa's all-time record crop, totalling 11.1m tonnes, was harvested in 1973-74.

Large carry-over stocks have permitted an early start to this year's export programme, and 19 cargoes were sold during May for July shipments. But the bank notes that, with the free-alongside-elevator cost of maize exports currently running at around R113.50 per tonne (compared with world prices of below R100 per tonne), the Maize Board is exporting at a substantial loss.

This loss has to be subsidised out of the Board's stabilisation fund, which stood at only R14.7m at the beginning of the season

THE ROYAL SHOW

Fantasies and fears

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

CIRCUMSTANCES only allowed me to spend one day at the Royal Show this week. So instead of plodding conscientiously up and down the lines of machinery, the cattle and the instructional stands, I concentrated on the central area. There I was able to circulate from one reception to another, sampling the entertainment, the quality and quantity of which made up to a considerable degree for the very dismal weather outside.

These encounters can provide a valuable source of information as to the progress of the industry. For nowhere else is there such an opporunity of meeting so many farmers, from so many different areas. There was a record attendance for the first two days, probably because haymaking has become practically impossible at the moment.

King Canute

Not surprisingly Mr. Roy Jenkins' dire warning in his opening speech of disaster to the Common Agricultural Policy if the surging flood of milk is allowed to continue unchecked, was completely unheeded—just as the waves paid no attention to King Canute, a rather more practical politician. British farmers have been told by their leaders that surpluses begin across the Channel, and that quotas or other restrictions on production must apply elsewhere than in Britain.

They believe this fantasy, because it suits them and the Ministry of Agriculture backed them up by reporting, with smug satisfaction, another increase in in milk production.

In fact Ministerial optimism was unbounded. In between sips of Ministerial gin (yes, they have jumped on the bandwaggon, too), officials categorically forecast yet another record harvest. To comfort the fearful, they told farmers that the incidence of disease and pest was at record lows, so that spraying was an unnecessary and expensive insurance. To a puzzled farmer like myself, with only experience as a guide, the present cool damp weather is an almost certain recipe for disappointing yields, particularly of wheat.

Then we had Mr. Paddy Lane, president of the Irish farmers, claiming that a Common Market sheep regime would do untold harm. What he would like to see would be a quota of about 20,000 tonnes of lamb allowed duty free into France, with the remainder eaten in Britain together with New Zealand for the benefit of the housewife.

This uncharacteristic Irish tenderness for all things British, springs, of course, from the realisation than any mass invasion of the French lamb market would bring a fall in price. This would, of course, injure the advantage Irish farmers gain from the free entry into the French market they gained this year.

While visiting the show, Mr. Brian Talboys, New Zealand's Deputy Premier, took still another opportunity to attack the concept of a Community regime for sheep meat. Community regimes, he assured us, invariably turned out badly for third countries in the end, however good the intentions expressed at their inception. He received as usual a polite reception but it is about time he realised that generally speaking, New Zealand, to paraphrase Chamberlain on Czechoslovakia is, "a far away country of which we know little."

It is no longer engraved on many English hearts as Queen Mary once claimed Calais was on hers. Where is Calais now?

By far the most impressive stands at the Show are those of the joint stock banks, and other respectable moneylenders, who are assiduously fighting to lend farmers cash. A great change from my youth when the last thing bankers wanted to do was to lend much money. I did not sample any of their hospitality; I fear the Greeks when bearing gifts.

But I did meet one petulant customer. He had, he told me, bought some extra land on a budget discussed with his bankers, only to find that interest rates have been shooting up. So on a strict accounting basis the cost of his extra land had gone up the equivalent of an extra £30 per acre per year in a few short weeks. Could it get any worse? "Undoubtedly." I replied, "as soon as the election is over."

I found two areas of considerable apprehensinn. The problems of the tractor manufacturers are being well publicised, and these are spreading to other machines as well. It does seem that the mass purchases made by farmers, in the grain and potato booms, have vanished. Farmers have enough machines to last for some time, and it has now become so dear that alternatives are coming to mind. In particular, contracting services should receive a boost. These, if extended, while using machinery more, would need fewer overall units compared with individual farmers.

No one in farming is going to lose any sleep about lay-offs in tractor factories. But there is another time-bomb ticking away which will affect a sizeable minority of farmers and traders. Since the establishment of rights, giving the original plant breeder a reward for his services, the seeds industry has been booming and farmers growing seeds have shared in this.

Saving seed

Now there are so many varieties on the market, that farmers have great difficulty in choosing between them. What is more it is believed that should there be a good harvest, the amount of cereal seed grown under contract will exceed demand by at least 50 per cent.

Prices have been pushed up substantially, and almost certainly farmers will take the course of saving more of their own seed. To make matters worse, the herbage seed stores of Europe are reported to be bursting with unsold stocks. To say that some sections of the trade are panicking is no overstatement, and heavy discounting can be expected. A happy note for some of us with seed to buy.

Tough stand on tin prices urged

BY WONG SULONG

KUALA LUMPUR, July 6.

MALAYSIAN MINERS are pressuring their Government to take a tougher stand on prices at the International Tin Council meeting in London next week, although they are pessimistic about an upward revision of the present tin price ranges.

Mr. Rahim Aki, president of the Malay Chamber of Mines, claimed that Malaysia had always adopted a moderate role at ITC meetings, leaving the more aggressive demands to Bolivia.

However, he said Malaysian miners now feel their Government should take a tougher stance in view of the behaviour of the major consuming nations.

Without mentioning the U.S., he said the operations of the International Tin Agreement had taken a new and undesirable form with major consuming nations using their votes to veto producer proposals. Under the previous four tin agreements (to which the U.S. was not a party) decisions were reached by consensus.

Mr. Rahim, who will represent Malaysian miners at the London meeting, expressed disappointment that the economic and price review committee of the tin council had failed to recommend a new price range at last month's meeting in Bangkok. He feared next week's meeting could lead to further polarisation between consumers and producers.

Another point of contention was the move by consumer members to revise tin consumption forecasts downwards. Producers see the move as an attempt to justify a "freeze" in the agreement's price ranges. They argue that if forecast consumption is lower, there is no justification for the U.S. to release 35,000 tonnes of stockpiled tin.

Copper leads downturn

BY JOHN EDWARDS, COMMODITIES EDITOR

COPPER PRICES led a general downturn on the London Metal Exchange yesterday. After opening on an easier note, copper was hit by a large selling order in the afternoon which met little buying resistance. As a result cash wirebars closed £9.5 lower at £686 a tonne.

The market was not encouraged by reports of the Council of Copper Exporting Countries (Cipec) in Kinshasa this week. Although it was claimed that member countries would present a united front at the forthcoming Geneva meetings of the proposed international copper agreement, it was noted that no mention was made of production cutbacks.

A claim by the Peruvian Mines Minister that important progress had been made on proposals to stabilise world copper prices was discounted in other quarters. Mr. Sacha Gueronik, executive director of Cipec, said the meeting had taken no spectacular decisions, but had adopted a more realistic approach to the market.

The fall in copper also affected tin, which had opened easier reflecting an overnight decline in Penang. Cash tin eventually closed £87.5 lower at £6,520 a tonne.

Hay going from bad to worse

By Robin Reeves

CARDIFF, July 6.

THERE IS mounting concern in Wales at the state of the hay harvest. The Farmers' Union of Wales reported yesterday that the heavy rain and strong winds of the past week have resulted in a rapid deterioration of the crops. Given the pessimistic long-range forecast for July, anxiety is already being expressed about next winter's fodder supplies.

"Both cut and uncut hay is deteriorating fast and we desperately need a spell of fine weather to recover lost ground," the FUW said yesterday.

Welsh farmers making silage, on the other hand, are expecting good second cuts as a result of the recent rain. Silage made at the beginning of June was generally of good quality, although yields were light.

No threat from soya to meat industry

BY CHRISTOPHER PARKES

THE MEAT industry has nothing to fear from the increased use of protein foods made from soya and other vegetable sources, says a scientific report produced for the Common Market Commission.

Far from stealing markets from meat producers, the report says, vegetable proteins could even help slow the slide in meat consumption.

"To the extent that vegetable proteins in admixture with meat are able to create products widely acceptable to consumers and at a cost they are willing and able to afford, these new products may sustain rather than diminish meat consumption.

"In particular they may make possble the effective utilisation of the less attractive parts of meat animal carcases, including offal," the authors conclude.

However, they do not foresee any rapid expansion in the use of novel proteins in Europe, and point out that close monitoring will be possible to make sure there are no "unexpected consequences" from increased consumption.

As an initial precaution, the researchers propose that the extent of substitution in meat products should be limited to 30 per cent. They also suggest that the presence of vegetable protein should be clearly indicated in the name of the product and not merely in the list of ingredients.

Exactly how much soya protein is already being consumed in the EEC is not konwn.

American wheat cartel opposed

WASHINGTON, July 6.

MR. BOB BERGLAND, U.S. Agricultural Secretary, is opposed to the establishement of a U.S.-Canadian wheat cartel, Mr. Tom Sand, assistant to the Secretary, said here today.

A group of U.S. and Canadian Senators agreed last Friday to set up a joint wheat "task force" to boost the international selling price of wheat to at least $4 a bushel.

Mr. Sand said U.S. grain marketing methods would make such an agreement almost impossible since it would have to be between about a dozen U.S. grain companies and the Canadian Wheat Board.

Reuter

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Lost ground on the London Metal Exchange. Forward metal opened on a steady note at £715 before easing back to £712 on the morning Kerb following small selling. In the afternoon, however, aggressive selling from one particular source caused the price to drop sharply to £703 before a recovery on the late Kerb saw it close at £707. Turnover: 21,075 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	691-.5	—6	685.5-6.5	—9.5
3 months	712-.5	—5	706-.5	—10
Settl'm'nt	691.5	—6	—	......
Cathodes				
Cash	687.5-8	—6	681-.5	—10.7
3 months	708-.5	—5.5	701-.5	—10.7
Settl'm'nt	688	—6	—	......
U.S. Smt.	—	......	*66.5-68	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £691, three months £714, 13, 13.5, 13, 12.5, 12, 11, 11.5, 12, 12.5, 12. Cathodes, three months £709. Kerb: Wirebars, three months £712, 11.5. Afternoon: Wirebars, three months £710, £709, 8, 7, 7.5, 8, 7.5, 7, 6.5, 5.5, 6, 7, 6.5. Cathodes, three months £701.5, 1. Kerb: Wirebars, three months £707, 6, 6.5, 6, 5.5, 5, 4, 3, 4.

TIN—Lower. The fall in the Penang price caused heavy Commission House selling on the pre-market which pushed forward standard metal down to £6,460. At this level some covering against overnight U.S. physical business promoted a rally to £6,510 but the downturn in copper in the afternoon affected sentiment in tin and caused forward metal to ease back to close at £6,470. Turnover: 1,820 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6560-70	—70	6515-25	—87.5
3 months	6500-30	—62.5	6475-85	—85
Settlem't	6570-50	—70	—	......
Standard				
Cash	6540-50	—90	6515-25	—87.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

COFFEE

Robustas traded in a £20 range above Wednesday's close for the whole session, DBL reports. A failure of follow-through [illegible] from Wednesday's close induced early short-covering and profit-taking and roaster interest around the lows prevented any further decline. [illegible]

RUBBER

[illegible]

SILVER

[illegible]

GRAINS

[illegible]

COCOA

[illegible]

... Rye—88.97: rest nil (89.84: rest nil). Barley—85.59: rest nil (85.59: rest nil). Oats—77.41: rest nil (79.40: rest nil). Maize (other than hybrid for seeding)—80.32: rest nil (80.98: rest nil). Buckwheat—All nil (all nil). Millet—79.94: rest nil (79.94: rest nil). Grain sorghum—84.27: rest nil (84.27: rest nil).

Flour levies: Wheat or Mixed Wheat and Rye Flour [illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

WOOL FUTURES

[illegible]

MEAT/VEGETABLES

[illegible]

England and Wales—Cattle numbers down 7.5 per cent., average price 72.35p (+0.63); Sheep numbers down 3.4 per cent, average 143.8p (—0.1); Pig numbers up 2.4 per cent, average 63.3p (same). Scotland—Cattle numbers up 6.3 per cent, average 73.05p (—0.09); Sheep numbers down 26.9 per cent, average 134.8p (—3.9).

COVENT GARDEN (prices in sterling per package except where otherwise stated) [illegible]

COTTON

COTTON—Liverpool. No spot or shipment sales were recorded in Liverpool leaving the total for the week at 319 tons, reports F. W. Tattersalls. Small operations ensued without forward interest of any note. Minor replenishing needs were sought in African and South American qualities.

N. Indian tea output rises

By Our Own Correspondent

CALCUTTA, July 6.

TEA PRODUCTION in North India picked up markedly in May due to good monsoon rains. Output of 43.567m kilos was 1.3m kilos up on the same month of the previous year, the Tea Board announced here.

But taking the first five months of the current year together output totalled 70.590m kilos or 3.543m kilos less than the 1977 figure on the same basis.

However, output during the present year up to the end of May was 5.938m kilos ahead of the five monthly average of the previous three years.

Output for the first five months in 1976 was 65.585m kilos and 54.238m kilos in 1975.

PRICE CHANGES

Prices per tonne unless otherwise stated.

	July 6 1978	+ or —	Month ago
[illegible]	[illegible]	[illegible]	[illegible]
Cocoa Shipment	£1,794	—56.0	£1,764.5
Future Sept.	£1,704	—63.75	£1,659
Coffee Future			
Sept.	£1,556.5	+15.0	£1,795.5
Cotton 'A' Index	70.45c	—0.5	70.9c
Rubber kilo	54p	—0.25	57.25p
Sugar (Raw)	£89	—1.0	£102
Wooltops 64s kilo	[illegible]	......	283

* Nominal. ‡ Unquoted. k August. m June-August. n July-Sept. p July-Aug. q Sept. y August-Sept. x Per ton.

GRIMSBY FISH—[illegible]

INDICES

FINANCIAL TIMES

July 6	July 5	Month ago	Year ago
238.94	240.22	249.80	246.15

(Base: July 1, 1952=100)

REUTER'S

July 6	July 5	Month ago	Year ago
1455.0	1469.8	1522.8	1543.8

(Base: September 18, 1931=100)

DOW JONES

Dow Jones	July 6	July 5	Month ago	Year ago
Spot	356.45	357.23	359.14	391.23
Futures	341.04	341.03	346.12	345.71

(Average 1924-25-26=100)

MOODY'S

Moody's	July 6	July 5	Month ago	Year ago
Staple Commodity	918.9	919.6	914.5	890.7

(December 31, 1931=100)

U.S. Markets

Coffee weak: sugar and grains firm

NEW YORK, July 6.

PRECIOUS METALS eased on what was considered a disappointing IMF auction. Copper closed unchanged on mixed trade and speculative activity. Sugar rallied on renewed Commission-house buying and short-covering. Cocoa eased under the weight of Commission-house stop-loss selling. Coffee once again declined on speculative liquidation following a reduction in the Brazil offering price. Bache reports.

Cocoa—July 142.20 (144.45), Sept. 137.80 (139.70), Dec. 134.60, March 131.50, May 129.00, July 127.00, Sept. 124.75, Dec. 122.50 settlements. Sales: 915.

Coffee—"C" Contract: July 147.90-148.25 (149.25), Sept. 134.23 (138.20), Dec. 124.80, March 115.60-115.75, May 113.00-114.00, July 111.25 asked, Sept. 109.75, Dec. 107.00-111.00. Sales: 605 lots.

Copper—July 59.20 (59.30), Aug. 59.60 (59.70), Sept. 60.20, Dec. 62.00, Jan. 62.60, March 63.60, May 64.60, July 65.60, Sept. 66.60, Dec. 68.00, Jan. 68.50, March 69.50, May 70.50 settlements. Sales: 7,500 lots.

Cotton—No. 2: July 56.35-56.65 (56.70), Oct. 59.30-59.38 (58.90), Dec. 61.20-61.35, March 62.66-62.70, May 63.70-64.00, July 64.70-65.00, Oct. 64.70-65.00, Dec. 64.20-65.00. Sales: 5,550 lots.

*Gold—July 182.90 (183.60), Aug. 181.90 (184.90), Sept. 185.50, Oct. 186.50, Dec. 189.40, Feb. 192.40, April 195.50, June 198.60, Aug. 201.70, Oct. 204.80, Dec. 208.00, Feb. 211.20, April 214.40 settlements. Sales: 5,524 lots.

†Lard—Chicago loose 23.00 (same). NY prime steam 24.75 asked (24.50 traded).

†Maize—July 247½-247 (247), Sept. 250½-250½ (250½), Dec. 255½-255½, March 261, May 265½, July 266.

§Platinum—July 238.00-239.00 (239.50), Oct. 242.50-244.00 (243.40), Jan. 243.50-245.90, April 248.50, July 252.40-252.60, Oct. 255.70-255.90, Jan. 259.20-259.40. Sales: 1,192 lots.

*Silver—July 519.50 (524.90), Aug. 522.30 (527.80), Sept. 526.00, Dec. 537.50, Jan. 541.40, March 549.50, May 558.10, July 566.50, Sept. 575.70, Dec. 589.20, Jan. 593.80, March 603.10, May 612.50 settlements. [illegible]

[illegible]

STOCK EXCHANGE REPORT

Gilts sustain rally but equities lose initial gains

GEC dividend statement disappoints—Shipbuildings lively

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Jun. 26	July 6	July 7	July 18
July 10	July 20	July 21	Aug. 1
July 24	Aug. 3	Aug. 4	Aug. 15

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

Genuine business remained slow in stock markets yesterday but a small interest produced a recovery in longer-dated Gilt-edged securities. The move was encouraged by yield considerations, in turn based on analysts' views that the authorities would strongly resist any further short-term rise in interest rates ahead of a General Election.

Conditions appeared oversold in the sector, a factor which gave the rallying movement added impetus, and quotations overcame late-afternoon sensitivity to settle near the best with rises to ½ after the official close of business. The shorter maturities also moved higher, benefiting from thoughts about the attractions of returns just below 12 per cent.

Seasonal distractions and the generally uncertain economic/political situation continued to inhibit buyers of industrial shares but the leaders hardened when a small technical demand developed in the absence of any worthwhile selling until the announcement of GEC's preliminary statement.

The remarks regarding the company's future dividend policy immediately brought some disappointment and caused ripples to spread throughout the market, bringing all leaders down a shade. A while later, Mr. Scargill's suggestion that the National Union of Mineworkers should resist alone, if necessary, any extension of the social contract, caused further slight easiness and many constituents of the F.T. 30-share index returned to overnight levels.

Various views arising from Swan Hunter's compensation terms aroused early enthusiasm for both Shipbuildings and other nationalisation candidates. Swan slipped from the highest of 147p to close a net 13 up at 141p, while Vosper ended 12 to the good at 170p and Yarrow 15 better at 275p.

Corporations almost matched the improvements among the longer funds, ending ½ higher in several places, but recently-issued scrips such as **Southend-on-Sea** 1987, at 8¼ in £10-paid form, rallied only ¼.

Rates for investment currency moved within a narrow band and after another small trade the premium settled a net ¼ easier at 112½ per cent. Yesterday's SE conversion factor was 0.6551 (0.6537).

Quite a lively interest developed in Traded Options yesterday, with 612 contracts recorded. The annual results generated a useful business in GEC which recorded 108 deals, while **Consolidated Gold Fields** and **Grand Metropolitan** were also well to the fore, with 99 and 93 contracts respectively. Rates were again easier. BP July 750 falling 9 to 76p and ICI July 330 shedding 5 to 33p.

Hambros rally

Hambros, up 7 at 162p, staged a partial rally after the recent setback on fears about the outcome of the Reksten loan talks; the preliminary results are due today. Elsewhere in the Banking sector, major clearers were inclined harder while, in overseas issues, **Hongkong and Shanghai** were active again and recorded a fresh rise of 14 to 347p.

Breweries remained idle and featureless with **Scottish and Newcastle** easing 1½ to 63½p on disappointment with the preliminary figures. **Greene King** remained unchanged at 257p following the results, while **Burtonwood** edged forward 2 to 155p on the increased earnings.

Weltern Brothers jumped 19 to 116p on the increased offer of 120p cash from **W. J. Glossop**; the latter were unmoved at 62p. Elsewhere, trade in Buildings remained slack with interest stimulated by the occasional trading statement. **British Dredging**, anticipating the results, firmed 2 to 40p, but small selling and lack of demand clipped 3 from **May and Hassell** at 58p and 2 from **Barratt Developments** at 99p.

After a further contraction in trade, **ICI** drifted 4 lower to 361p while, initially 6 firmer on a favourable Press mention, **Fisons** retreated to 355p, only a couple of pence up on balance.

Store leaders were rarely altered after a quiet and uninteresting session. In secondary issues, **Allied Retailers** put on 5 to 266p, while demand in a market none too well supplied with stock left **Raybeck** 4 to the good at 79p. **Bambers** rose 3 more to 77p and similar rises were marked against **Cope Sportswear**, 84p, and **B. Paradise**, 23p. Against the trend, **Blackman and Conrad** eased a penny to 18p on the pre-tax loss for the 16-month period.

GEC active

Proceedings in Electricals were dominated by the performance of GEC which dropped to 254p in active trading initially on disappointment with the dividend statement accompanying the results before rallying to close a penny easier on balance at 257p. **H. Wigfall** fell 5 to 220p on profit-taking, but **Thorn Electrical** edged up 2 to 310p in anticipation of today's preliminary figures.

News of the agreed nationalisation compensation terms for Swan Hunter enlivened interest in the Shipbuilding sector yesterday. Dealings were resumed in **Swan Hunter** which opened around 147p and, in the course of a fairly lively business, ran back to 139p before settling at 141p for a rise of 13 on balance. **Yarrow**, 275p, and **Vosper**, 170p, recorded gains of 15 and 12 respectively, while **Laird Group** closed 4½ dearer at 80p. **Vickers** were 3 firmer at 171p. Apart from **Tubes**, up 4 at 342p, Engineering majors were rarely altered. Among secondary issues, **Williams and James** firmed 1½ to 78½p following the proposed rights issue in convertible preference shares. Scattered buying interest prompted a gain of 3 to 78p in **British Northrop**.

Noteworthy movements were few and far between in Foods. **Cullen's Stores** attracted renewed speculative interest, the ordinary and "A" rising 5 and 7 respectively to the common price of 125p. Still reflecting recovery hopes, **J. Lyons** hardened 2 to 83p for a two-day gain of 5. **W. J. Pyke**, however, reacted 5 to 40p in a restricted market on news that the Pyke family had sold 37.21 per cent of the company's equity at 30p a share.

Hotels and Caterers remained out of favour. **Warner Holidays** "A" gave up a penny at 33p in front to today's preliminary figures. Against therten figures. Against the trend **Myddleton** gained 7 to 232p on small demand.

Thermal weak

Miscellaneous Industrial leaders closed little altered after making a half-hearted improvement in the early dealings. **Beecham** touched 650p before settling at 645p, unchanged on the day, but **Unilever** managed to hold a gain of 4 at 516p, after 520p. Favourable Press mention failed to stimulate **Turner and Newall**, unaltered at 169p. Elsewhere, **Thermal Syndicate** featured with a reaction of 17 to 97p on the sharp fall in the half-yearly profits. In contrast, renewed demand in a restricted market left **GR Holdings** 15 to the good at 495p, while **IC Gas** were also noteworthy for a rise of 10 to 387p. **R. and W. Toothill** were again favoured in front of today's annual results and put on 3 further to 44p. **Scoteros**, up 2½ more to 72½p, continued to reflect the chairman's encouraging statement, while new-time demand ahead of next week's interim results lifted **D. Macpherson** 3 to 61p. **British Syphon** firmed 2 more to 60½p, but **Coral Leisure** came on offer and shed 4 to 102p ahead of next Wednesday's expected report by the Royal Commission on Gambling.

Dowty figured prominently in Motors and Distributors, rising 8 to 209p on buying in anticipation of the preliminary figures expected on July 19. **Plaxton's (Scarborough)** improved 8 to 85p on small buying in a thin market, but **Jonas Woodhead** eased 3 to 88p following the chairman's statement. The announcement that **Manchester Garages** and **Oliver Rix** were involved in bid talks created a fair amount of interest: the former closed 2 harder at 36½p and the latter 1½ firmer at 8½p. **Caffyns** reflected the caution expressed in the full report with a reaction of 4 to 114p. **Braid** eased 2½ to 38p on the first-half profits setback and **Colmore Investments** shed 3 to 35p on the substantially reduced earnings.

Leading Newspapers softened in another meagre trade. **Daily Mail A** eased 2 to 303p following the modest improvement in profits, while **Thomson**, 275p, gave back 3 of the previous day's speculative rise of 18. **East Midland Allied Press A** rose 4 to 96p on persistent small demand. Elsewhere, comment on the results left **John Waddington** 4 cheaper at 196p and **David S. Smith** finished a penny lower at 104p following the annual results.

Properties closed steady to a shade firmer where changed after another quiet session. Still awaiting the outcome of bid discussions with an unnamed Continental group, **English** firmed a penny to 43p.

Leading Oils drift

After an early flurry of activity, trade in Oils petered out with subsequent disinterest leaving **Shell** 7 easier at 545p. American influences clipped 8 from **British Petroleum** at 822p. Light selling left **Oil Exploration** 6 easier at 208p, but **Siebens (UK)** hardened 4 to 336p.

Sime Darby featured Overseas Traders with a rise of 8 to 111p on some sizeable buying orders from London and the Far East. **Ocean Wilsons** hardened 2 to 85p on the chairman's forecast of a further increase in dividend in the current year. **Harrisons and Crosfield** rose 12 to 475p on investment demand, but consideration of the full report resulted in a fall of 7 to 373p in **James Finlay**.

Although business remained at a low ebb, Investment Trusts were better where changed. Press comment directed attention to **Le Vallonet** which hardened 2 to 35p for a two-day improvement of 4. **Alliance Investment** rose 5 to 99p on small buying in a thin market. *Financials provided a couple of* firm spots in **Pretabail Sicomi**, three points higher at £71, and **Nippon Fund Sterling**, 30 to the good at 390p.

Carpet shares made the running in Textiles in the wake of the announcement of a substantial trading recovery and on increased dividend by **Shaw** which closed 5 better at 37p. **Homfray** moved up 3 to 43p, while numerous gains of 2 included **Stoddard A**, 29p, and **Trafford**, 32p. **Stroud Riley** Deferred moved up 2 to 33p on the substantially improved earnings.

Still reflecting Far Eastern demand, **Guthrie** improved 15 to 345p for a rise so far this week of 27. Other firm spots in Plantations included **Kuala Lumpur Kepong**, 3 up at 83p, and **Highlands**, 4 higher at 131p.

Northern Mining rise

Northern Mining featured Mining markets with a jump of 15 to 112p following a revival of speculative buying on talk that a large line of the shares had been placed in Australia; Northern has a 5 per cent stake in the Ashton joint venture in Western Australia.

North West Mining, which in June was granted three large temporary reserves in the West Kimberly gold field, also came in for speculative support and closed 5 higher at 27p.

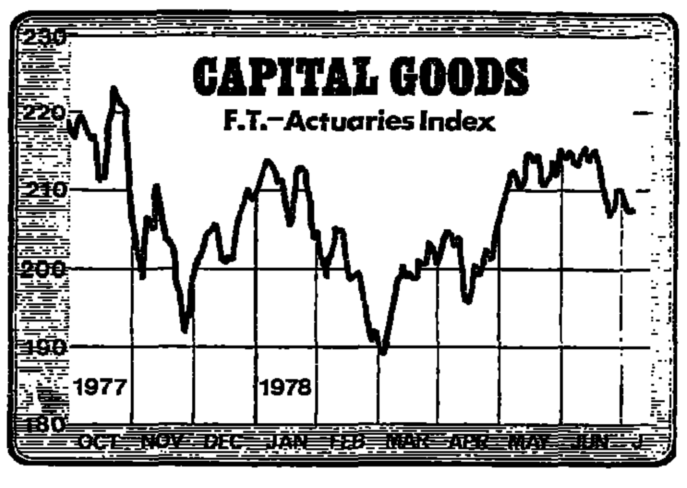
On the other hand Base-metals tended to drift.

Australian selling lowered **Mount Lyell** 6 to 24p, while fears that Japanese steel mills will reduce iron-ore imports and demand lower prices prompted a fall in **Hamersley** of 10 to 200p.

A $1.75 decline in the bullion price to $182.625 per ounce following mild disappointment with the outcome of the latest International Monetary Fund gold auction, coupled with a further easing in the securities rand caused a setback in South African Golds. U.S. selling was reported in the after-hours' trade and prices closed at the day's lowest.

Heavyweights fell by up to ¼ as in **Western Holdings**, £19¼, with similar losses in **President Brand**, 809p and **St. Helena**, 868p. Lower-priced issues to lose ground included **Southvaal**, 9 cheaper at 482p, **Unisel**, 7 off at 188p, and **Zandpan**, 5 down at 212.

South African Financials mirrored Golds. **De Beers** fell 8 to 389p—a three-day loss of around 17—while **Anglo American** and **Union Corporation** were both 4 easier at 322p and 274p respectively.



FINANCIAL TIMES STOCK INDICES

	July 6	July 5	July 4	July 3	June 30	June 29	A year ago
Government Secs.	69.44	69.02	69.30	69.50	69.52	69.25	67.13
Fixed Interest	71.38	70.98	71.35	71.47	71.45	71.24	67.92
Industrial Ordinary	452.1	452.0	455.1	458.1	460.8	457.3	441.4
Gold Mines	159.5	161.2	160.4	158.4	158.9	162.4	110.2
Ord. Div. Yield	5.85	5.84	5.83	5.78	5.76	5.80	5.26
Earnings, Y'ld % (full)*	17.74	17.72	17.69	17.54	17.46	17.59	15.95
P/E Ratio (net) (*)	7.49	7.50	7.51	7.58	7.61	7.56	9.15
Dealings marked	4,195	4,578	4,890	5,817	4,514	4,348	5,111
Equity turnover £m.	—	57.81	47.97	48.53	54.95	56.26	77.50
Equity bargains total	—	11,948	11,538	11,699	12,565	12,090	17,274

10 am 453.4. 11 am 454.3. Noon 453.8. 1 pm 454.1. 2 pm 454.1. 3 pm 452.0.
Latest Index 01-246 8026.
*Based on 52 per cent corporation tax. † Nil=7.33.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (6/1)	68.79 (6/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (3/1)	70.73 (6/6)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	497.3 (5/1)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	168.6 (3/3)	130.3 (5/1)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	July 6	July 5
—Daily		
Gilt-Edged	140.2	142.1
Industries	140.4	164.2
Speculative	44.5	35.1
Totals	95.6	104.3
5-day Average		
Gilt-Edged	146.4	149.9
Industrials	150.6	150.8
Speculative	35.0	33.6
Totals	99.3	99.9

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (71)

AMERICANS (1)
ASA

BANKS (2)
HK & Shanghai; Joseph (L.)

BUILDINGS (4)
Breedon Lime; Downing (G. H.); Brit. Dredging; Weltern Bros.

STORES (4)
Bakers Stores; Ladies Pride; Bambers; Ramar Text.; Bentalls; Raybeck; Foster Bros.; Time Products

ELECTRICALS (2)
Cray Elec.; Energy Servs.

ENGINEERING (4)
Anderson Strathclyde; Edbro; Clifford (Ch.); Mitchell Somers

FOODS (2)
Cullens; Do. A

HOTELS (1)
Myddleton

INDUSTRIALS (7)
Assoc. Sprayers; Imp. Cont. Gas; Diploma Invs.; Sutcliffe Speakman; G.R. (Hldgs.); Swire Pacific; Hutch Whamp

MOTORS (5)
Plaxton's; Manchester Gar.; Kwik-Fit; Rix (Oliver); Hanger Invs.

NEWSPAPERS (2)
Black (A. and C.); Bristol Post

PROPERTY (2)
HK Land; Lend Lease

TEXTILES (6)
Allied Textile; Sekers Intl.; Carpets Intl.; Shaw Carpets; Montfort; Shiloh Spinners

TRUSTS (18)
Alliance Inv.; Monks Inv.; Berry Trust; Outwich Inv.; Crescent Japan; Scot. & Cont. Inv.; Estate Duties; Rights & Issues Cap.; G.T. Japan; Tribune Inv.; Investing in Success; Challenge Corp.; Jardin Japan; Haw Par; Jardine Secs.; Nippon Fd. Stg.; Le Vallonet; Pretabail-Sicomi

OVERSEAS TRADERS (2)
Sime Darby; Steel Bros.

RUBBERS (4)
Bradwall; Harrisons Malay. Ests.; Guthrie; Kuala Kepong

MINES (1)
E.R.G.O.

NEW LOWS (25)

CANADIANS (1)
Can Pacific 4pcDb.

BANKS (1)
Hill Samuel Warr.

BUILDINGS (4)
Barratt Dev.; Gough Cooper; Bett Bros.; May Hassell

STORES (1)
Audiotronic

ELECTRICALS (1)
Laurence Scott

ENGINEERING (6)
Allen (E.) Balfour; Lloyd (F. H.); Bailey (C. H.); Newman-Tonks; Bristol Channel; Whessoe

INDUSTRIALS (3)
Macarthys Pharm.; UKO Intl.; Thermal Syndicate

INSURANCE (1)
Royal

PAPER (1)
Waddington (J.)

PROPERTY (1)
Second City

SHIPPING (3)
Common Bros.; Reardon Smith A; Hunting Gibson

OILS (2)
CCP North Sea; Cluff Oil

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	70	—	7
Corpns. Dom. and Foreign Bonds	12	3	50
Industrials	276	311	952
Financial and Prop.	133	51	335
Oils	6	8	20
Plantation	9	4	19
Mines	12	58	56
Recent Issues	7	9	15
Totals	525	444	1,454

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
HK & Shanghi Bk.	$HK2.50	10	347	+14	347	203
Swan Hunter	£1	9	141	+13	157	123
BATs Defd.	25p	8	260	—	296	227
Guthrie Corp.	£1	8	345	+15	345	211
ICI	£1	8	361	−4	396	328
Royal Insurance	25p	8	343	−4	425	343
Shell Transport	25p	7	545	−7	586	484
Barclays Bank	£1	6	305	+2	358	296
Beecham	25p	6	645	—	678	583
BP	£1	6	822	−8	892	720
Burmah Oil	£1	6	58	—	72	42
GEC	25p	6	257	−1	278	233
Marks & Spencer	25p	6	143	—	160	135
Midland Bank	£1	6	338	+3	390	330
NatWest	£1	6	252	+2	298	250

OPTIONS

DEALING DATES

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
July 4	July 17	Sep. 28	Oct. 10
July 18	July 31	Oct. 12	Oct. 24
Aug. 1	Aug. 14	Oct. 26	Nov. 7

For rate indications see end of Share Information Service

Money was given for the call in **Currys, Burmah Oil, Westland, Coalite and Chemical, Centrovincial, Lonrho, Bellway, Energy Services, Status Discount, Vickers, English Card Clothing, London and Northern, J. Lyons, English Property, UDT, Fluidrive** and **Ladbroke**. Puts were done in **Burton A, Ladbroke Warrants** and **Grand Metropolitan Warrants**, while doubles were arranged in **Compton Sons** and **Webb, Lee Cooper, Royce, Burmah Oil, Westland, Orme Developments, Vickers** and **Ladbroke Warrants**. A short-dated call was transacted in **John Brown**.

FOOD PRICE MOVEMENTS

	July 6 £	Week ago £	Month ago £
BACON			
Danish A.1 per ton	1,115	1,090	1,090
British A.1 per ton	1,085	1,075	1,075
Irish Special per ton	1,085	1,065	1,065
Ulster A.1 per ton§	1,085	1,065	1,065
BUTTER			
NZ per 20 kg	12.51/12.62	12.51/12.62	12.51/12.62
English per cwt§	72.97	71.85/72.95	69.61/71.85
Danish salted per cwt†	73.98/76.72	73.98/76.72	72.10/75.88
CHEESE¶			
NZ per tonne	1,161.50	1,161.50	1,161.50
English cheddar trade per tonne	1,164.30	1,164.30	—
EGGS*			
Home-produce:			
Size 4	2.60/3.00	2.30/2.80	2.50/3.40
Size 2	4.25/4.70	3.90/4.60	3.60/4.50
	July 6 p	**Week ago p**	**Month ago p**
BEEF			
Scottish killed sides ex-KKCF	56.0/59.0	56.0/59.0	53.0/57.0
Eire forequarters	35.0/38.0	33.0/36.0	30.0/32.0
LAMB			
English	60.0/64.0	60.0/62.0	54.0/62.0
NZ PLs-PMs	53.5/55.0	53.0/54.0	50.0/52.0
PORK (all weights)	35.0/44.0	35.0/44.0	36.0/44.0
POULTRY—Broiler chickens	36.5/39.0	36.0/39.0	35.5/37.5

* London Egg Exchange price per 120 eggs. † Delivered. ‡ Unavailable. § For delivery July 9-16.

LONDON TRADED OPTIONS

Option	Exercise price	July Closing offer	July Vol.	October Closing offer	October Vol.	January Closing offer	January Vol.	Equity close
BP	750	76	6	99	—	119	—	825p
BP	800	26	..	60	—	86	—	..
BP	850	3	5	31	..	56	..	..
BP	900	½	—	17	3	26	3	..
Com. Union	140	3	10	9	4	14	2	140p
Com. Union	160	½	..	4	..	7	17	..
Cons. Gold	160	15	15	24	17	27	—	175p
Cons. Gold	180	2¼	20	10	30	16	17	..
Courtaulds	100	14	13	18½	3	20½	—	113p
Courtaulds	110	5	—	12	—	15	—	..
Courtaulds	120	1½	20	6	50	8½	15	..
Courtaulds	130	½	—	2½	7	6½	10	..
GEC	220	39	9	45	10	51	—	257p
GEC	240	19	14	28	10	38	—	..
GEC	260	4	35	15	4	27	—	..
GEC	280	1	..	9	26	17	2	..
Grand Met.	100	2½	2	8		12½	3	101p
Grand Met.	110	½	—	4	10	8	..	..
Grand Met.	120	¼	—	1¾	..	4¼	46	..
ICI	330	33	—	43	18	48	8	362p
ICI	360	6½	10	19	20	27	5	..
ICI	390	¾	—	7½	17	17	—	..
ICI	420	¼	10	2½	—	9	5	..
Land Secs.	180	23	—	28	3	32	—	202p
Land Secs.	200	4½	—	13½	6	17	—	..
Land Secs.	220	½	—	4½	..	8½	—	..
Marks & Sp.	120	23½	14	28	1	30	—	143p
Marks & Sp.	140	4½	6	11½	16	15½	—	..
Marks & Sp.	160	¼	—	3½	6	8½	—	..
Shell	500	48	10	63	—	75	—	547p
Shell	550	6½	10	26	..	44	1	..
Shell	600	¼	—	9	10	20	—	..
Totals			207		271		134	

RECENT ISSUES

EQUITIES

Issue Price p.	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p.	+ or −	Div. Amount	Times Covered	Gross Yield	P/E Ratio
75	F.P.	30/6	[illegible]	[illegible]	Bramall (C.D.)	85	......	b3.5	3.1	8.0	4.5
130	F.P.	5/7	169	142	Eurotherm	166	......	b2.64	4.0	2.4	15.9
34	F.P.	—	38	35	Thame Plywood	34	......	2.0	2.3	8.9	7.4

FIXED INTEREST STOCKS

Issue Price	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price	+ or −
*	F.P.	28/7	90p	88p	Allied Leather 9% Pref.	88p	......
£98	£50	22/9	[illegible]	[illegible]	Barnet 12% Red. 1987	50¼	+¼
[illegible]	Nil	7/8	[illegible]	[illegible]	Crellon 12% Conv. Prid. [illegible]	6pm	−1
[illegible]	£10	—	£10½	£10¼	East Anglia Water 7% Red. Pref. 1983	£10¼	......
100p	F.P.	16/8	104p	101p	[illegible]	101½p	+½
£100	F.P.	—	[illegible]	[illegible]	Edinburgh (City of) Var. Rate 1983	99¾	......
[illegible]	F.P.	28/7	[illegible]	[illegible]	Essex Water 7% Red. Pref. 1983	98½	......
[illegible]	£25	25/8	[illegible]	[illegible]	Fairview Ests. [illegible]	23½	......
*	F.P.	21/7	[illegible]	[illegible]	JB Holdings 10% Prf.	98p	......
*	F.P.	21/7	[illegible]	[illegible]	Miller (F.) 11% Pref.	102½p	......
109	F.P.	21/7	[illegible]	[illegible]	Robinson Bros 11% Pref.	109p	......
99⅛	F.P.	—	[illegible]	[illegible]	Sutton (Met. Borough of) Var. Rate Red. 1983	99¼	......
£98½	£10	20/10	[illegible]	[illegible]	Southend-on-Sea 12% Red. 1987	8¼	+¼
£99	£10	21/7	[illegible]	[illegible]	South Tyneside 12½% Red. 1988	9¼	+¼
£98½	£50	1/9	[illegible]	[illegible]	Tyne & Wear 12% Red. 1988	48¼	+¼
£98½	£25	15/9	[illegible]	[illegible]	West Kent Water 12% Deb. 1988	24	......

"RIGHTS" OFFERS

Issue Price p.	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p.	+ or −
48	F.P.	7/7 18/8	58	54	British Tar Products	54	......
28	Nil	18/7 18/8	6pm	3½pm	Brooke Tool Eng.	4pm	......
215	Nil	— —	24½pm	4pm	Dartmouth Invs.	4½pm	......
14½	Nil	— —	2½pm	2½pm	Elswick-Hopper	2½pm	......
88	F.P.	7/7 18/8	104	93	Hartwells	95	+1
108	Nil	14/7 4/8	10pm	1pm	Henlys	10pm	......
29	Nil	5/7 28/7	4½pm	3½pm	Hyman (I. & J.)	41	......
140	Nil	14/7 4/8	21pm	15pm	Leigh Interests	15pm	−1
25	Nil	— —	2½pm	2pm	Lever	2½pm	......
92	F.P.	7/7 28/7	113	102	Sketchley	109	−½
95	Nil	17/7 25/8	20pm	13pm	Securicor Group	19pm	......
95	Nil	17/7 25/8	22pm	16pm	Do. A. N.V.	17pm	......
95	Nil	17/7 25/8	20pm	15pm	Security Services	13pm	......
95	Nil	17/7 25/8	14pm	13pm	Do. A. N.V.	13pm	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. r Dividend and yield based on prospectus or other official estimates for 1979. q Gross. † Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of Ordinary shares as a "rights." ** Issued by way of capitalisation. †† Minimum tender price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. |||| Introduction. □ Issued to former Preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thurs., July 6, 1978 Index No.	Day's Change %	Est. Earnings Yield % (Max.) Corp Tax 52%	Gross Div. Yield % (ACT at 34%)	Est. P/E Ratio (Net) Corp. Tax 52%	Wed. July 5 Index No.	Tues. July 4 Index No.	Mon. July 3 Index No.	Fri. June 30 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (172)	207.62	+0.2	18.28	5.83	7.59	207.28	208.64	210.25	210.34	179.61
2	Building Materials (28)	185.28	+0.1	18.93	5.90	7.45	185.14	185.63	186.65	187.50	149.50
3	Contracting, Construction (27)	332.11	−0.3	21.00	4.14	6.93	333.17	336.04	337.61	336.30	243.97
4	Electricals (15)	443.63	−0.2	15.50	4.12	9.14	444.45	452.50	456.50	455.70	355.00
5	Engineering Contractors (14)	310.05	+0.9	19.35	6.58	6.88	307.14	308.62	310.46	310.45	257.00
6	Mechanical Engineering (72)	167.31	+0.7	19.26	6.42	7.02	166.15	166.34	167.70	167.75	162.75
8	Metals and Metal Forming (16)	157.85	−0.1	18.16	8.93	7.50	158.08	158.03	159.79	160.24	149.04
11	CONSUMER GOODS (DURABLE) (52)	190.14	+0.2	17.99	5.08	7.81	189.71	191.14	193.23	192.51	168.77
12	Lt. Electronics, Radio TV (15)	222.58	+0.4	16.48	3.89	8.56	221.72	224.47	226.66	225.47	195.16
13	Household Goods (12)	174.55	+0.2	16.73	6.47	8.25	174.15	173.34	173.11	172.26	161.53
14	Motors and Distributors (25)	120.73	—	20.53	6.54	6.84	120.74	121.12	122.99	122.86	108.07
21	CONSUMER GOODS (NON-DURABLE) (174)	194.87	—	16.53	6.13	8.21	194.86	195.28	197.30	198.13	163.41
22	Breweries (14)	215.26	−0.5	15.65	6.27	8.98	216.42	217.66	220.22	221.57	173.71
23	Wines and Spirits (6)	249.39	+0.5	16.22	5.78	9.35	248.18	248.70	250.12	250.12	185.83
24	Entertainment, Catering (17)	242.41	—	16.23	7.16	9.01	242.44	244.30	247.03	248.17	208.51
25	Food Manufacturing (21)	190.45	+0.2	19.84	5.84	6.67	190.01	190.00	191.62	192.43	169.92
26	Food Retailing (15)	199.00	+0.3	14.74	5.10	9.37	198.43	197.93	199.38	198.89	169.96
32	Newspapers, Publishing (13)	393.30	−0.8	10.16	3.18	14.05	396.42	381.38	386.62	385.91	297.12
33	Packaging and Paper (15)	130.08	−0.2	20.20	8.15	6.54	130.40	130.89	131.26	131.46	119.78
34	Stores (39)	177.24	+0.1	11.89	4.99	12.33	177.01	178.23	180.56	181.91	141.28
35	Textiles (25)	169.16	−0.1	19.55	8.19	6.65	169.41	167.91	169.67	170.33	165.32
36	Tobaccos (3)	233.72	—	23.48	8.01	5.10	233.72	235.69	238.28	239.18	198.84
37	Toys and Games (6)	107.39	+0.6	18.94	5.81	6.45	106.73	106.83	107.35	107.35	98.19
41	OTHER GROUPS (97)	190.40	−0.2	16.88	6.00	7.76	190.76	190.94	192.48	193.00	178.26
42	Chemicals (19)	271.34	−0.7	18.25	6.44	7.44	273.30	273.16	275.98	277.15	253.30
43	Pharmaceutical Products (7)	252.15	−0.1	11.46	4.07	10.85	252.41	251.79	251.89	251.51	0.00
44	Office Equipment (6)	127.23	−0.1	18.83	5.10	6.28	127.31	127.31	128.52	129.32	96.89
45	Shipping (10)	396.09	−0.1	18.30	7.73	6.73	396.62	399.19	405.61	410.68	482.78
46	Miscellaneous (55)	196.91	+0.3	18.27	6.66	7.30	196.27	197.06	198.78	198.95	173.24
49	INDUSTRIAL GROUP (495)	203.20	—	17.14	5.95	7.91	203.17	203.84	205.72	206.20	177.64
51	Oils (5)	473.77	−1.1	15.58	4.17	6.96	479.08	479.52	477.64	482.28	511.06
59	500 SHARE INDEX	225.64	−0.2	16.91	5.68	7.75	226.00	226.66	228.29	229.08	204.37
61	FINANCIAL GROUP (100)	154.83	+0.2	—	6.12	—	154.47	154.74	156.58	157.46	136.75
62	Banks (6)	175.62	+0.8	26.95	6.39	5.62	174.15	175.37	178.47	179.77	154.12
63	Discount Houses (10)	200.31	+1.3	—	8.63	—	197.65	197.39	200.79	202.55	177.50
64	Hire Purchase (5)	136.65	−0.7	14.30	6.00	10.35	137.67	136.66	138.74	139.55	132.68
65	Insurance (Life) (10)	126.88	+0.1	—	7.18	—	126.74	126.39	128.06	128.61	105.43
66	Insurance (Composite) (7)	118.34	−0.4	—	7.21	—	118.87	118.90	120.04	120.98	111.17
67	Insurance Brokers (10)	322.13	+0.5	14.61	4.87	9.80	320.48	320.43	323.31	325.16	295.85
68	Merchant Banks (14)	75.97	+0.8	—	6.39	—	75.34	75.65	76.28	76.99	65.82
69	Property (31)	223.86	+0.2	3.65	3.32	47.23	223.40	223.33	225.29	226.25	185.89
70	Miscellaneous (7)	104.92	−0.2	24.20	7.96	5.38	105.16	105.55	105.98	104.56	90.52
71	Investment Trusts (50)	211.23	+0.5	3.28	4.81	30.46	210.26	208.64	208.14	208.13	168.95
81	Mining Finance (4)	97.05	−0.7	18.18	7.17	6.70	97.71	97.71	98.45	97.80	88.33
91	Overseas Traders (19)	308.16	+0.5	17.00	6.92	7.22	306.67	310.50	307.91	309.17	268.01
99	ALL-SHARE INDEX (673)	207.83	−0.1	—	5.76	—	207.96	208.45	209.94	210.67	166.25

FIXED INTEREST PRICE INDICES

	British Government	Thurs. July 6	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	104.18	+0.21	—	4.73
2	5-15 years	113.15	+0.56	—	5.95
3	Over 15 years	119.36	+0.64	—	7.02
4	Irredeemables	122.44	+1.19	—	7.24
5	All stocks	111.71	+0.47	—	5.83

	FIXED INTEREST YIELDS Br. Govt. Av. Gross Red.		Thurs. July 6	Wed. July 5	Year ago (approx.)
1	Low Coupons	5 years	8.95	9.01	7.81
2		15 years	11.11	11.19	11.52
3		25 years	11.83	11.92	12.54
4	Medium Coupons	5 years	11.75	11.86	10.53
5		15 years	12.30	12.39	12.38
6		25 years	12.34	12.42	13.02
7	High Coupons	5 years	11.86	11.96	11.37
8		15 years	12.79	12.87	13.53
9		25 years	13.06	13.14	13.71
10	Irredeemables		11.98	12.12	12.75

		Thurs., July 6 Index No.	Thurs., July 6 Yield %	Wed. July 5	Tues. July 4	Mon. July 3	Friday June 30	Thurs. June 29	Wed. June 28	Tues. June 27	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	56.64	†13.10	56.64	56.37	57.16	57.31	57.19	57.25	57.25	54.19
16	Investment Trust Prefs. (15)	51.63	13.71	51.62	51.05	51.05	51.01	51.39	51.38	51.38	51.55
17	Coml. and Indl. Prefs. (20)	70.14	13.19	70.24	70.62	70.48	70.56	70.69	70.68	70.68	69.09

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

INSURANCE, PROPERTY, BONDS

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

CORAL INDEX: Close 447-452

INSURANCE BASE RATES

† Property Growth 9¾%

†Vanbrugh Guaranteed 9.50%

† Address shown under Insurance and Property Bond Table

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1978 High	Low	Stock	Price £	+ or —	Div. % Gross	Red. Yield
[illegible]	[illegible]	Antofagasta Rly.	23	......	—	—
[illegible]	[illegible]	Do. 5pc Pref.	38rd	......	—	—
[illegible]	[illegible]	Chilean Mixed	93	......	—	f3.10
415	350	German Ynd. 4½pc.	405sd	......	4½	—
[illegible]	[illegible]	Greek 7pc Ass.	54	......	3½	f6.48
51	46	Do. 6pc 28 Stab. Ass.	51	......	6	f6.00
44	40	Do. 4pc Mixed Ass.	43sd	......	4	f4.65
[illegible]	42	Hung. '24 Ass.	55	......	4½	5.00
[illegible]	65	Iceland 6½pc '83-88	65sd	......	—	12.60

BONDS & RAILS—Cont.

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 52¾% based on US$1.8675 per £. Conversion factor 0.6551 (0.6537)

CANADIANS

S.E. List Premium 32¾% (based on $2.0994 per £)

BANKS AND HIRE PURCHASE

BANKS & HP—Continued

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

For Tricoville Fashion see Bambers

ELECTRICAL AND RADIO

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

FINANCIAL TIMES

BRACKEN HOUSE, 10, CANNON STREET, LONDON EC4P 4BY

Telex: Editorial 886341/2, 883897. Advertisements: 885033. Telegrams: Finantimo, London PS4.

Telephone: 01-248 8000.

For Share Index and Business News Summary in London, Birmingham, Liverpool and Manchester. Tel: 246 8026

INTERNATIONAL AND BRITISH OFFICES

EDITORIAL OFFICES

Amsterdam: P.O. Box 1296, Amsterdam-C. Telex 12171 Tel: 240 555

Birmingham: George House, George Road. Telex 338650 Tel: 021-454 0922

Bonn: Presshaus 11/104 Heussallee 2-10. Telex 8869542 Tel: 210039

Brussels: 39 Rue Ducale. Telex 23283 Tel: 512-9037

Cairo: P.O. Box 2040. Tel: 938510

Dublin: 8 Fitzwilliam Square. Telex 5414 Tel: 785321

Edinburgh: 37 George Street. Telex: 72484 Tel: 031-226 4120

Frankfurt: Im Sachsenlager 13. Telex: 416263 Tel: 555730

Johannesburg: P.O. Box 2128. Telex 8-6257 Tel: 838-7545

Lisbon: Praca da Alegria 58-1D, Lisbon 2. Telex 12533 Tel: 362 508

Madrid: Espronceda 32, Madrid 3. Tel: 441 6772

Manchester: Queen's House, Queen Street. Telex 666813 Tel: 061-834 9381

Moscow: Sadovo-Samotechnaya 12-24, Apt. 15. Telex 7900 Tel: 294 3748

New York: 75 Rockefeller Plaza, N.Y. 10019. Telex 66390 Tel: (212) 541 4625

Paris: 36 Rue du Sentier, 75002. Telex 220044 Tel: 236.57.43

Rio de Janeiro: Avenida Pres. Vargas 418-10. Tel: 253 4848

Rome: Via della Mercede 55. Telex 61032 Tel: 678 3314

Stockholm: c/o Svenska Dagbladet, Raalambsvagen 7. Telex 17603 Tel: 50 60 88

Tehran: P.O. Box 11-1879. Telex 212634 Tel: 682698

Tokyo: 8th Floor, Nihon Keizai Shimbun Building, 1-9-5 Otemachi, Chiyoda-ku. Telex J 27104 Tel: 241 2920

Washington: 2nd Floor, 1325 E. Street, N.W., Washington D.C. 20004. Telex 440225 Tel: (202) 347 8676

ADVERTISEMENT OFFICES

Birmingham: George House, George Road. Telex 338650 Tel: 021-454 0922

Edinburgh: 37 George Street. Telex 72484 Tel: 031-226 4139

Frankfurt: Im Sachsenlager 13. Telex 16263 Tel: 554667

Leeds: Permanent House, The Headrow. Tel: 0532 454969

Manchester: Queen's House, Queen Street. Telex 666813 Tel: 061-834 9381

New York: 75 Rockefeller Plaza, N.Y. 10019. Telex 423025 Tel: (212) 489 8300

Paris: 36 Rue du Sentier, 75002. Telex 220044 Tel: 236 86 01

Tokyo: Kasahara Building, 1-6-10 Uchikanda, Chiyoda-ku. Telex J 27104 Tel: 295 4050

SUBSCRIPTIONS

Copies obtainable from newsagents and bookstalls worldwide or on regular subscription from Subscription Department, Financial Times, London

INDUSTRIALS—Continued

1978 High	Low	Stock	Price	+ or —	Div Net	Cvr	Y'ld Gr's	P/E
13¾	7¾	Hawtin 5p	11	......	—	—	—	11.3
55	34	Hay (Norman) 10p	51	......	3.00	2.1	8.9	7.9
164	120	Hay's Wharf £1	130	+2	†4.95	1.8	5.8	12.9
89½	72½	Hepworth Ceram.	83½	......	♦3.3	3.5	6.0	7.0
112	93½	Hestair	99	......	t6.99	3.1	10.5	(3.8)
24	20	Hewitt (J.) 5p	21	......	1.03	4.3	7.4	4.8
41	35	Highgate Opt. 10p	35	......	‡d1.07	1.2	‡	12.2
115	92	Hill (Chas.) £1	105	−1	7.26	—	10.5	—
58	28	Hirst Mallison 20p	31½	......	1.8	2.9	8.7	(4.6)
67	61	Holden (A.)	62	......	e3.51	ϕ	9.0	ϕ
73	59	Hollis Bros.	60	......	†4.03	2.7	10.2	5.4
148	119½	Holt Lloyd Intl. 10p	140	+2	7.00	2.0	7.6	10.2
390	305	Hoover 'A'	310	......	14.82	2.0	7.2	10.5
•99	71½	Horizon 5p	91	−1	M5.64	3.4	9.4	9.3
173	122	Hoskins & H 20p	167	......	5.17	1.2	4.7	26.1
31½	25	Howard Tenens	28½	−¼	†1.71	—	9.1	—
235	183	Hunting Assoc.	188	−2	2.95	9.2	2.4	6.9
119	82	Huntleigh 10p	115	+1	2.35	7.0	3.1	7.0
117	49	Hutch Whamp. $HK1	117	+2	Q20c	ϕ	2.0	ϕ
•42½	22¼	Hyman (I. & J.) 5p	41	......	11.9	17.7	7.0	12.7
£22½	£14½	I.C. Industries$	£21½	......	Q$1.52	—	4.4	—
302	206	ICL £1	292	......	†7.42	5.4	3.9	4.8
387	308	Imp. Cont. Gas £1	387	+10	9.81	q4.4	3.9	8.8
25	22	Ingall Inds. 10p	24½	......	$1.88	1.6	11.6	7.4
77	64	Initial Services	73	+1	†4.11	1.8	8.5	10.0
12¾	8	Inter-City 20p	11xd	......	0.6	2.7	8.3	6.8
47	39	James (John)	44	......	†d2.47	2.7	8.5	5.3
•14¼	9½	James (M.) Inds. 20p	11½	−½	d1.0	ϕ	13.8	ϕ
•291	149	Jardine M. $HK5	291	+1	Q67c	2.2	2.7	16.3
32½	23½	Jentique	24½	......	†h2.0	1.2	12.4	10.4
•12½	10	Johnson & Barnes	11	......	—	—	—	—
108	76½	Johnson Clns.	88½	+1½	3.89	3.0	6.7	5.7
•480	375	Johnson Mthy. £1	430xd	......	13.62	ϕ	4.8	ϕ
42	32	Jourdan (T.) 10p	39	......	2.89	2.7	11.2	4.2
31	28	Kalamazoo 10p	30½	......	†1.95	1.8	9.7	8.7

INSURANCE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INV. TRUSTS—Continued

Finance, Land, etc.

FINANCE, LAND—Continued

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
210	155	Falcon Rh. 50c	175	−5	Q50c	1.3	24.4
24	15	Rhod'n Corp. 16½p	16	......	0.56	7.1	5.3
80	52	Roan Cons. K4	70	......	—	—	—
175	122	Tanganyika 50p	155	+3	Q10.0	1.2	6.4
90	78	Do. Pref. 80p	87	......	Q9%	16.3	6.2
41	32	Wankie Col. Rh.1	34	−1	†Q7½c	1.4	18.8
16½	10	Zam. Cpr. SBD0.24	14½	......	—	—	—

AUSTRALIAN

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
15	10	Acmex 25c	13	−1	—	—	—
132	64	Bougainville 50 Toea	118	......	Q8c	1.4	4.2
125	63	BH South 50c	113	−1	—	—	—
820	150	Central Pacific	575	......	—	—	—
245	148	Conzinc Riotinto 50c	234	......	Q10c	2.2	2.7
72	45	G.M. Kalgoorlie $1	45	......	—	—	—
140	81	Hampton Areas 5p	136	......	t5.5	2.0	4.0
40	10	Metals Ex. 50c	28	−2	—	—	—
220	125	M.I.M. Hldgs. 50c	198	......	Q9c	1.7	2.8
39	10	Mount Lyell 25c	24	−6	—	—	—
6½	1½	Newmetal 10c	4½	......	—	—	—
143	79	North B. Hill 50c	123	......	Q8c	1.5	4.0
16	8½	Nth. Kalgurli	13½	......	—	—	—
178	117	Oakbridge $A1	161	+1	†Q11c	1.9	4.3
50	30	Pacific Copper	46	+1	—	—	—
£14¾	750	Pancont 25c	£13¼	−¼	—	—	—
40	12	Paringa M&Ex. 5p	39	+2	—	—	—
538	310	Peko-Wallsend 50c	516	−4	Q15c	4.0	1.8
300	50	Southern Pacific	220	−10	—	—	—
160	84	Westn. Mining 50c	143	−3	‡Q6c	1.4	‡
70	35	Whim Creek 20c	55	+5	—	—	—

TINS

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
30	24	Amal. Nigeria	25	......	†2.51	1.6	15.2
380	240	Ayer Hitam $M1	380	......	[illegible]	0.9	‡
60	45	Beralt Tin	53	......	3.75	4.4	11.2
295	200	Berjuntai $M1	290	......	‡Q110c	ϕ	‡
145	111	Geevor	135	......	h4.51	3.4	5.1
10	8½	Gold & Base 12½p	9½	......	—	—	—
295	220	Gopeng Cons.	295	......	15.0	0.9	7.8
165	130	Hongkong	160	......	—	—	—
93	78	Idris 10p	85	......	12.0	1.6	22.6
11	10	Jantar 12½p	10	......	—	—	—

COPPER

MISCELLANEOUS

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
61	35	Barymin	53	−1	—	—	—
17	9	Burma Mines 17½p	14	......	—	—	—
300	220	Cons. Murch. 10c	260	−5	†Q30c	2.6	‡
465	245	Northgate C$1	385	−10	—	—	—
234	164	R.T.Z.	214	−1	9.5	2.8	6.7
90	30	Sabina Inds. C$1	60	......	—	—	—
£12	750	Tara Expln. $1	800	−75	—	—	—
45	43	Tehidy Minerals 10p	43	......	1.33	ϕ	4.7
180	120	Yukon Cons. C$1	169	......	Q7c	2.9	2.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ø Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✤ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 38

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

IRISH

OPTIONS

3-month Call Rates

FINANCIAL TIMES
Friday July 7 1978

Dispute over who found oilfield

BY RAY DAFTER, ENERGY CORRESPONDENT

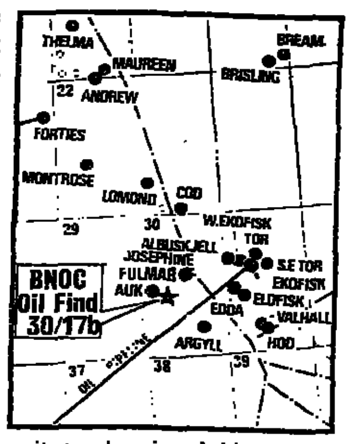
AN EXTRAORDINARY dispute has surfaced within the UK oil industry over which company found British National Oil Corporation's new field on block 30/17 of the North Sea.

BNOC, as licence operator on the concession, said a fortnight ago that it had discovered the "encouraging" structure which, according to industry reports, might contain between 200m and 400m barrels of recoverable reserves.

But the state corporation's partners, Shell and Esso, have made known that they had spotted the geological structure from seismic surveys in late 1975, before BNOC had been established. They had made the block their top priority in applications for the fifth round of licences in 1976 but were later told that they would have to accept the state corporation as partner and operator.

Underlying the wrangle, which primarily affects the pride of the companies' exploration teams, have been more serious allegations that the Department of Energy passed on to BNOC confidential information from Shell and Esso. Those allegations were denied by the state corporation, the Department and Esso's chairman yesterday.

The issue has become public through a letter to The Times, written by a man who appears not to exist. Executives in BNOC and other oil companies have been trying to trace the



writer, who signed himself Mr. David A. Singleton, of 32 Quintin Avenue, London, SW20.

So far they have failed. Mrs. D. Singleton, a widow living at that address, said she did not know of a Mr. David Singleton.

The letter accurately chronicles the events leading up to the award of the licence, stating that the block had previously been relinquished by Phillips Petroleum and that Shell and Esso had become aware of the prospect, having found its Fulmar Field in a hitherto unexplored deep Jurassic zone.

The letter continues that "any junior technical person" could have seen the potential after a review of the Shell/Esso information. It goes on:

"One cannot give much credit to a person having the privilege of viewing all of the hands in a poker game, then declaring himself a partner of whoever holds the best hand and finally, after settling down to play out the hand, telling everyone what a good player he is as he rakes in the chips."

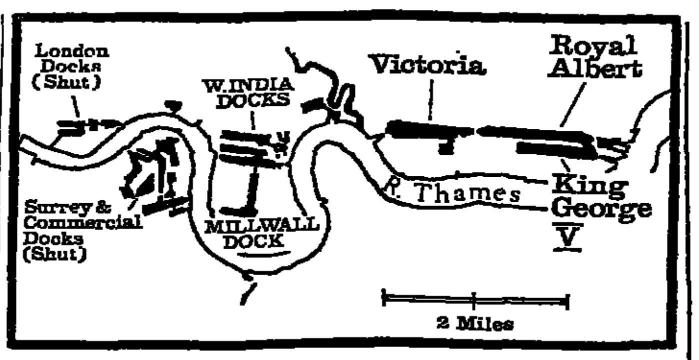
The corporation replied in a letter from Mr. Jeremy Evans, a BNOC managing director. He said that in summer 1976 the corporation's exploration department identified the block as a "good prospect" through its own technical analysis and information acquired commercially.

The identification was made without knowledge of the Fulmar Field discovery and without confidential information being passed from the Energy Department.

He wrote that he wanted to put the record straight for the sake of the professional integrity of BNOC's staff.

Although Shell made no comment, Dr. Austin Pearce, chairman of Esso Petroleum, said: "We have for many years worked with the Department of Energy on the basis that information is confidential. We will continue to do so."

The Energy Department commented that no confidential information submitted by Shell and Esso relating to block 30/17 had been passed to BNOC.



Plan to close Royal Docks

BY NICK GARNETT AND PAUL TAYLOR

THE PORT of London Authority told the Government yesterday that it must close the Royal Docks next year. The closure would mean the immediate loss of 650 jobs followed by a further 1,400. Even then, in order to avoid bankruptcy, the authority would need a Government cash injection of £60m to cover severence pay and losses over the next five years and a continuing subsidy of between £1m and £4m. from 1982.

Sir John Cuckney, the authority's chairman, made it clear to the Government that the closure of both Upper Docks complexes is the only way to ensure financial viability but if the Government chooses to avoid the social and environmental consequences of a double closure it must pay. The Upper Docks are expected to lose between £6m and £9m this year.

The authority's final proposals were handed to Mr. William Rodgers, Transport Secretary, yesterday. He is expected to study the document called "The Challenge of Decision Now" in conjunction with union proposals before making a decision and taking this to cabinet committee for approval.

The dock unions reacted with a veiled warning of a possible London or national dock strike and a commitment that they would not tolerate the Royals closure.

Although there is considerable anger within the docks, local officials of the Transport and General Workers Union, the biggest union in the ports said that any unofficial action now would be irresponsible and "industrial suicide."

The union will not make any decision on its final response until consultations are exhausted but it has given broad backing to its port officials in any action they think is necessary.

Union officials bitterly criticised what they believe to be a series of management mistakes which has led to the present crisis and warned of severe social and environmental damage in an already deprived area if the docks are shut.

The Authority proposes to close the Royal Group of Docks in the first half of 1979 and transfer cargo traffic to the India and Millwall docks or Tilbury. It also plans to monitor the performance of the India and Millwall docks.

Announcing the proposals Sir John said the authority had suggested one dock closure only at this stage to give dockland more time to adjust to the social and environmental effects and o see if "ogether with the trade unions we can make an upper dock pay."

However he warned this would depend on "a radical improvement in productivity, marketing and working practices generally." and on a 40 to 50 per cent increase in traffic above that currently handled in both Upper Docks.

Sir John said a cargo increase of this size would be "sharply contrary" to recent forecasts and trends. However, he says if the Government provides the finance "we are keen to give the experiment our full backing."

He says if the Government insists on a "speedier return to viability" then there is no alternative to the "Radical Approach" which involved closing both dock comlexes. The authority hopes the Government will make a final decision before the summer recess. It claims the nine weeks spent discussing the plans since it spelt out its financial problems have cost £600,000 and warns that any further delay could jeopardise the future still more.

Rescue plan

Mr. Rodgers has so far failed to commit himself publicly to any particular rescue plan and after receiving the authority's proposals yesterday he repeated that the Government had made no decision yet, and the PLA plan would be studied in conjunction with the union's proposals.

The nine dock unions still believe the Upper Docks could be viable. While accepting some criticism over industrial relations and their own productivity, they believe the root problems lie in under-investment, bad marketing and poor management structure.

They are seeking not only Government aid needed to keep the docks open but also a positive strategy to attract industry back into the area. "It's not a dockers problem. It's a community issue," Mr. Brian Nicholson, the chairman of the port jointunion committee. "Our platform is no closure."

Officials believe that for every one job lost in the docks, a further three are lost in the immediate dock area.

A union study, Lond's Docks, an Alternative Strategy, says a financially-restructured PLA and more modern Upper Docks would attack trade into London and act as an economic regenerator for East London.

THE LEX COLUMN

GEC's policy of appeasement

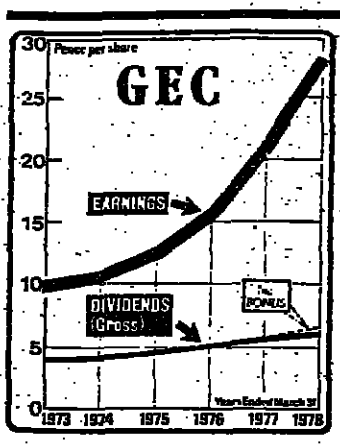
GEC's results are predictably good—much better, in fact, than the apparent 16 per cent advance in pre-tax profits to £325m. would suggest—but the stock market was more interested yesterday in what the company had to say about dividend policy. What, after all, is the relevance of a cash mountain of £617m and earnings per share of over 28p, after 51 per cent. tax, when the dividend is restricted to a miserable 4p or so? But GEC poured cold water all over the market's hopes of a major dividend advance, saying that whatever happens to official dividend restraint after July 31 there is no question of a sudden and drastic increase in the payout.

It is, of course, possible to argue that the GEC Board has already done its bit for shareholders by devising last year's issue of Capital Notes. But the company does now argue this, at least in public. Instead it has made a statement which can give little comfort to shareholders who are told how much they have lost (if dividensd had kept up with the remuneration of employees at GEC since 1971-1972, the payment would be around two-fifths higher than now proposed) but are being fobbed off with a patently bogus "self-financing" bonus of 0.335p a share. This purports to represent the extra revenue being generated by funds which would have been distributed but have been compulsorily retained because of dividend controls. By means of this device, shareholders are offered a total increase of 19 per cent (so long as it is legal to pay it) and a prospective yield of a princely 2.6 per cent.

In resorting to ths kind of mumbo jumbo GEC is trying to steer a course through a minefield: it has to keep the Government and its unions happy, as well as shareholders. But GEC is knocking one more nail in the coffin of the equity market. For if such a rich and successful company is not going to stand up wholeheartedly for the principle that dividends should reflect profits, there can be no proper basis for a market in risks and rewards.

The potential rewards are still there in GEC, however. The turbine business surged ahead last year, and electronics is seeing tremendous growth, though it is being held back by skilled labour shortages. The weak spot continues to be the consumer products side, where TV made a loss. But the group as a whole is still making good progress this year, following a gain in operating profits last time which was as good as 27 per cent.

Index rose 0.1 to 452.1



Scottish & Newcastle

After being 8 per cent ahead at the interim stage Scottish and Newcastle's pre-tax profits for the full year are just one per cent higher at £35.4m. The results are especially disappointing since the 4 per cent decline in beer volume in the first six months was not made up in the second half and for the second year running Scottish and Newcastle has shed both volume and market share.

Of course there are plenty of excuses. The shortage of cans in the first half cost the company £1m, and industrial disputes in the second half cost another £1½m. But even so the group's underlying market share was slipping, mainly because of its under-exposure to the fast growing lager market.

Fortunately there are signs that S and N is facing up to the problems. The new management regime has acted swiftly to stem the losses at the ill-fated Golf St Cyprien venture and has also sold off the loss-making Del Monte Kitchens operation. The remaining businesses have been reorganised into four main divisions (wholesale beer, public houses, hotels and wines and spirits), the distribution system has been streamlined and a considerable amount (£45m per annum) is being invested in new plant and equipment. The group is beefing up its lager interests and the hope is that they will soon account for at least 25 per cent of total beer output. Clearly the strategic decisions have been taken to improve S and N's performance, but it will be some time before it is known if they are the correct ones. Meanwhile a yield of 8 per cent at 63½p should cushion the shares.

State industries

It is time the nationalised industries were made to follow consistent accounting conventions. Last year's accounts from the British Gas Corporation showed pre-tax profits of £31.6m. But the figure would have been £186m higher (and politically embarrassing) if the Corporation had not decided to indulge in its own version of inflation accounting, mainly by providing extra depreciation. The Post Office has similar ideas, and its pre-tax profit last year would have been £267m greater than the £300m disclosed, without extra depreciation.

Yesterday's report from the Price Commission on the South of Scotland Electricity Board reveals similar practices which have the effect of boosting costs and reducing reported profits. It is no accident that only those nationalised industries which show surpluses want to hasten towards inflation accounting. On a current cost basis, British Steel lost £590m, compared with a reported £443m. But this little item was tucked away on the last page of the annual report.

Life assurance

Life assurance companies are really dragging in the money in 1978. New business figures from the Pru and Legal and General show gains of 27 and 37 per cent respectively in new annual business during the first half of this year. The rise in real incomes is one important reason, and an upturn in house purchase activity is another. But the really big boost is coming in pensions business. Since the end of Phase Two, pensions have again been treated as deferred pay, and companies have also been improving their schemes in line with the new Pensions Act, and extending them to the shopfloor. For Legal and General, the UK's largest pensions company, this has brought a 55 per cent jump in new annual business so far this year.

Miners demand end to social contract

BY CHRISTIAN TYLER, LABOUR EDITOR

A STRUGGLE between leading members of the TUC at the September Congress over the future of the social contract with the Labour Party was precipitated by the National Union of Mineworkers yesterday.

Mounting unrest within the labour movement at Mr. James Callaghan's hard line towards the unions and promise of virtually permanent wage restraint was vividly illustrated by the miners' delegate conference in Torquay.

The delegates unanimously called for an end to the social contract and for a complete change in the direction of Government economic policy. Last year there was a substantial minority against a similar resolution. Noting the seriousness of the miners' stand, Mr. Joe Gormley, their president, said he expected a big majority at the TUC for the motion that the NUM will be putting on the congress agenda.

As Phase Three of the Government's incomes policy runs out, Ministers are increasingly relying on traditional union support, and especially, their fear of a Thatcher government, and on the public's fear of inflation to return the party at the coming election. Their calculations — repeatedly condemned by the miners this week —is that Labour can risk losing the vote, and canvassing support, of trades union activists.

Yesterday it was Mr. Mick McGahey, the union vice-president, speaking in support of a resolution from South Wales, who most clearly explained the mood.

"If this is a confrontation it is a confrontation of ideas, not between the power of the unions and of Government." It was a matter of trying to persuade the Government to tackle the problem of society in another way.

Mr. Emlyn Williams, South Wales president, dismissed as "bunk" the argument that free collective bargaining meant that the strong survived and the weak perished. "We have always been responsible. We will negotiate responsibly, but not with a Government who are prepared to take cognisance of the IMF and forget their socialism."

For the big Yorkshire coalfield, Mr. Arthur Scargill, area president, said conference resolutions had been thwarted time and time again. He challenged Mr. Gormley to stick to his promise on Monday to let no one stand in the way of miners' negotiations on the next wage claim, which is for a 40 per cent increase.

He said: "I am sick and tired of the hypocrisy of the movement, including those in our own movement, who are prepared to accept policies under a Labour administration that would have been totally unacceptable under a Conservative government."

The economic resolution says that bearing in mind "the terrible consequences of unemployment, the conference declared its total opposition to any proposed extension of the social contract into Phase Four." The Government should stimulate demand by lifting restrictions on wage bargaining and should re-establish its socialist priorities by increasing expenditure on public services.

Also carried was a Derbyshire resolution demanding expansion of the economy, restoration of the social service cuts and the channelling of North Sea oil revenue into the economy in order to deal with the long-term problem of unemployment, especially of school leavers and of the under 25s.

Car dealers plan to merge

BY CHRISTINE MOIR

MANCHESTER GARAGES, one of the country's leading Ford dealers, and Oliver Rix, its BL counterpart, could announce a merger within the next 10 days.

Talks between the two companies were well advanced yesterday and the deal has already been cleared by both Ford and BL.

If it goes through, the merger would create a group with sales of around £40m and assets of £8m. Profits this year could top £1m on current market projections of £¾m from Manchester and £300,000 from Rix.

Manchester Garages has been expected to make a further takeover move after it failed in its £1.4m bid for W. J. Reynolds, the Ford dealer, earlier this year.

Yesterday's announcement described the deal as a merger but the industry is openly expecting Manchester Garages to emerge as the managing half of the new group.

Although its sales last year were only £11.5m compared with Rix's £25.6m. Manchester has shown the stronger financial performance. On this year's profit projections its earnings per share would be 4.5p fully taxed. Rix could make 0.3p and could return to the dividend list for the first time since 1974.

Net tangible assets show a similar imbalance. In the last accounts Manchester had 43.7p of assets per share. Rix 6.5. These are the figures which are now being evaluated by the two sets of shareholders. Mercantile Credit owns 30.2 per cent of Manchester, and Prudential Assurance just under 10 per cent, while Lombard North Central has 12.5 per cent of Rix.

Mr. Robert Stoodley, chief executive of Manchester, said yesterday that he is aiming for a turnover of £50m and wants to buy another Ford dealership. He also announced yesterday a joint venture with the National Research Development Corporation to develop a Ford-based utility vehicle.

The NRDC will be putting up £110,000 in loan finance to match a similar investment by Manchester Garages in an economical off-road transport vehicle.

With a similar length to the long wheel-base Land-Rover, the vehicle has been designed by the garage group on Ford Escort mechanicals, and will use 1100, 1300 and 1600cc engines. It will cost between £2,600 and £3,200.

Lords Scotland Bill amendment deleted

BY RICHARD EVANS, LOBBY EDITOR

THE LORDS amendment to the Scotland Bill inserting a form of proportional representation for elections to the Edinburgh Assembly was predictably deleted by the Commons yesterday, but an impressive minority supported it.

The degree of support for the additional-member system of PR is likely to encourage peers to insist once more on their amendment when the Bill returns to the Lords later this month.

The Lords amendment was rejected by 363 votes to 155 on a free vote, a majority of 208. This compares with a vote against a similar system of PR for the Scottish Assembly last November of 290 against 107.

The other comparison to be made, with the division in December on direct elections to the European Parliament, when PR was rejected 319-222, is not a fair one. To gain Liberal support Mr. Callaghan and the Government Whips then put maximum pressure on Labour MPs to vote for PR.

Last night's vote was the first in a long series of divisions in the three-day Commons debate on the 239 amendments to the badly-mauled Bill by the Lords.

Mr. John Smith, Minister of State in charge of devolution, announced at the start of the debate that 36 changes, virtually all minor drafting ones, were acceptable. The rest would be rejected on the Government's advice.

The odds are heavily on the Government getting its Scotland and Wales devolution Bills on to the Statute Book before the Summer Recess.

Ministers are particularly determined to achieve the Scottish legislation because of the electoral advantages they believe it would give Labour.

Although the peers will probably send some rejected amendments back once, they are not expected to prevent the Bills becoming law.

Parliament, Page 10

Weather

UK TODAY

CLOUDY, occasional rain, some sunny intervals; cool.

London, S.E., E., N.E. England, E. Anglia, Borders, Edinburgh,
Cloudy, occasional rain, cool. Max. 17C (63F).

Central S., Central N., N.W., S.W. England, Wales, Midlands, Channel Islands
Cloudy, sunny intervals, cool. Max. 17C (63F).

Lakes, S.W. Scotland, Glasgow, Central Highlands
Cloudy, sunny intervals, rather cool. Max. 17C (63F).

Isle of Man, Argyll, N.W. Scotland, N. Ireland
Cloudy, mostly dry, cool. Max. 18C (64F).

Aberdeen, Moray Firth, N.E. Scotland, Orkney, Shetland
Cloudy, occasional rain, cool. Max. 11C (52F).

Outlook: Sunny intervals, showers, cool.

BUSINESS CENTRES

		Y'day midday °C	°F			Y'day midday °C	°F
Amstdm.	R	13	54	Luxemb'g	C	13	55
Athens	S	32	90	Madrid	S	22	72
Bahrain	S	36	97	Manchestr.	C	13	55
Barcelona	F	21	70	Melbourne	R	7	45
Beirut	S	29	84	Mexico C.	S	21	70
Belfast	C	13	55	Milan	S	18	64
Belgrade	F	23	73	Montreal	S	25	77
Berlin	C	18	64	Moscow	F	27	81
Brmghm.	C	12	54	Munich	F	16	61
Bristol	C	14	57	Newcastle	C	11	52
Brussels	C	12	54	New York	S	27	81
Budapest	F	21	70	Oslo	F	19	66
B. Aires	C	14	57	Paris	C	17	63
Cairo	S	42	108	Perth	F	13	55
Cardiff	F	15	59	Prague	F	18	64
Chicago	S	26	79	Reykjavik	C	13	55
Cologne	C	15	59	Rio de J'o	S	26	79
Copnhagn.	F	13	55	Rome	F	23	73
Dublin	S	16	61	Singapore	C	31	88
Edinburgh	C	14	57	Stockholm	R	15	59
Frankfurt	C	15	59	Sydney	S	14	57
Geneva	C	16	61	Tehran	S	28	82
Glasgow	F	16	61	Tel Aviv	S	29	84
Helsinki	R	21	70	Tokyo	C	33	91
H. Kong	S	31	88	Toronto	S	25	77
Jo'burg	S	18	64	Vienna	F	23	73
Lisbon	S	26	79	Warsaw	C	18	64
London	C	14	57	Zurich	C	14	57

HOLIDAY RESORTS

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	21	70	Jersey	C	14	57
Algiers	C	21	70	Las Plms.	F	22	72
Biarritz	F	15	59	Locarno	F	19	66
Blackpool	C	14	57	Luxor	F	44	111
Bordeaux	C	16	61	Majorca	C	24	75
Casablnca.	S	22	72	Malaga	S	25	77
Cape Town	S	25	77	Malta	S	30	86
Corfu	S	29	84	Nairobi	C	18	64
Dubrovnik	S	27	81	Naples	F	26	79
Faro	S	26	79	Nice	F	21	70
Florence	F	25	77	Oporto	S	20	68
Funchal	S	21	70	Rhodes	S	33	91
Gibraltar	C	19	66	Salzburg	R	16	61
Guernsey	F	11	52	Tangier	S	23	73
Innsbruck	F	17	63	Tenerife	S	25	77
Inverness	C	11	52	Valencia	F	24	75
Isle of Man	S	12	54	Venice	F	23	73
Istanbul	S	29	84				

R—Rain. S—Sunny. F—Fair. C—Cloudy.

Continued from Page 1

European orders for Airbus

250-seaters, bringing its fleet to eight aircraft.

The 200-seat B-10 is a twin-engined aircraft (using the U.S. General Electric CF6-45 engines), designed to meet the need for a bigger short-to-medium range jet on many world air routes, but one that is not so large as the B-2 and B-4 versions.

The announcement of the formal launching comes when Mr. James Callaghan is in Bremen for the EEC Summit meeting, with Chancellor Helmut Schmidt of West Germany and President Giscard d'Estaing of France.

They are expected to press Britain to rejoin Airbus Industrie on a formal Government basis, and take a share in the development not only of the B-10 but also of another family of smaller jets, the Joint European Transport programme (JET).

The French and West Germans have always made it clear that they would like to see Britain back in Airbus Industrie. The UK Government was an original member of the group, but pulled out some years ago, on the grounds that the Airbus was not likely to be successful.

Hawker Siddeley Aviation, now part of British Aerospace, remained a member on a private sub-contractor basis, and builds all the wings for the A-300 B-2 and B-4 versions.

British Aerospace said last night it had received from Airbus Industrie a contract for another 16 sets of wings for the B-2 and B-4 versions of the Airbus, worth about £20m. This brought total authorisations to date for wing-sets for these versions of the aircraft to 14S, worth some £200m

Registered at the Post Office. Printed by St. Clement's Press for and published by the Financial Times Ltd., Bracken House, Cannon Street, London, EC4P 4BY.